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PUBLIC HEARING

STATE OF CALIFORNIA

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

MARKET DEVELOPMENT AND SUSTAINABILITY COMMITTEE

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMITTEE MEMBERS

Mr. Gary Petersen, Chair

Ms. Margo Reid Brown

BOARD MEMBERS ALSO PRESENT

Ms. Rosalie Mule

STAFF

Mr. Howard Levenson, Program Director, Sustainability Programs

Mr. Mark Leary, Executive Director

Mr. Brian Larimore, Sustainability Program

Mr. Jon Myers, Assistant Director, Office of Public Affairs

Mr. Jordan Scott, Office of Public Affairs

Ms. Barbara Baker, Sustainability Program

Ms. Shirley Willd-Wagner, Sustainability Programs, Division Chief, Financial Assistance Division

Mr. Steven Hernandez, Supervisor, Sustainability Programs

Ms. Holly Armstrong, Staff Counsel

Ms. Cara Morgan, Division Chief, Sustainability Program, Local Assistance and Market Development Division

ALSO PRESENT

Mr. George Eowan, California Refuse Removal Council

Mr. Chuck Schmidt, Waste Management Recycle America

Mr. Jason Young, Allan Company

Mr. Jim Fagelson, Newport CH International

Mr. Dennis Kazarian, e-Recycling of California

Mr. Jorge Santiesteban, Bureau Sanitation, City of
Los Angeles

Mr. Glenn Acosta, Los Angeles County Sanitation
Districts

Mr. Louie Pellegrini, Peninsula Sanitary Services

Ms. Nan Drake, Harrison Industries

Mr. Wayne Trewhitt, Nortech Waste, LLC

Mr. Mark Rappaport, California Product Stewardship
Council

Ms. Patty Moore, Plastic Recycling Corporation of
California

Mr. Alex Helou, City of Los Angeles Bureau of
Sanitation

Mr. Richard Valle, Tri-CED Community Recycling

Mr. Chuck Tobin, Burrtec Waste Industries

Mr. George Larson

Mr. Ed Boisson, R.W. Beck

Mr. Michael Blumenthal, Rubber Manufacturers
Association

Mr. Terry Leveille, TL & Associates

Ms. Denise Kennedy, DK Enterprises

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

1 P R O C E E D I N G S

2 --o0o--

3 CHAIRPERSON PETERSEN: Good morning. Howdy
4 everybody. Here we go. Welcome to the California
5 Integrated Waste Management Board's Market Development
6 and Sustainability Committee meeting.

7 As a courtesy, please shut your cell phones
8 off, or put them into silent mode.

9 Kristen, would you call the roll, please.

10 BOARD SECRETARY GARNER: Brown?

11 COMMITTEE MEMBER BROWN: Here.

12 BOARD SECRETARY GARNER: Petersen?

13 CHAIRPERSON PETERSEN: Here. All the members
14 of the committee up to date on ex partes?

15 COMMITTEE MEMBER BROWN: Mm-hmm.

16 CHAIRPERSON PETERSEN: Grand.

17 Speaker request slips are at the back of the
18 room. Please fill them out and bring them to Kristen.

19 Is there anyone in the audience today who
20 wants to address the committee on anything that's not
21 on the agenda today? Grand.

22 Howard, do you have a report for us this
23 morning already? Ready to go.

24 DEPUTY DIRECTOR LEVENSON: I think we should
25 just move straight on to the panel.

1 CHAIRPERSON PETERSEN: Okay. We'll do it
2 later? Okay, fine.

3 Also, for the record, Agenda Item C, Board
4 Item 10 has been pulled, and we won't be hearing that
5 today.

6 I'd like to ask the panelists to please come
7 up and sit over here to my left, please. I also want
8 to introduce them as well.

9 I've asked them to come here today because
10 they're the experts, and they have been -- I've known
11 most of them for years. They know what they're doing.
12 And they deal with the marketplace, and we've been
13 through the ups and downs together for the last 35
14 years.

15 And that's the reason I wanted to start this
16 today. As a series of panels, we're going to take a
17 look at what's going to happen in the marketplace from
18 these experts explaining to us what's going to happen
19 in the marketplace.

20 But then, we've been talking about market
21 development for years at this Board. And maybe this is
22 the time we start looking to see what we can develop
23 domestically to increase our market demand. And that's
24 why this series of panels is going to happen.

25 First of all, I've asked them to tell us

1 what's -- to explain what's happened in the past, the
2 historical perspective; what's happening now, and how
3 it's affecting their business; and what do you see
4 coming, and when?

5 And is there anything this Board can do to
6 help deal with the current situation, both in the
7 export, and again to see what we can do about
8 developing domestic markets.

9 I'd like to introduce George Eowan, California
10 Refuse Removal Council. He represents small to medium
11 multi-material collector/recyclers emphasizing fibers
12 and plastics. Wave, George. Okay.

13 Chuck Schmidt, Waste Management Recycle
14 America. Large, multi-material collector/recycler
15 emphasizing and plastics with their point of view.
16 Good morning.

17 MR. SCHMIDT: Good morning.

18 CHAIRPERSON PETERSEN: Jason Young, Allan
19 Company. Large recycler/broker emphasizing fibers and
20 plastics. And there's some cross-over here, but they
21 have their own things that they're going to tell us.
22 And I've known your father forever. We were both --
23 had long hair in the '70s together.

24 (Laughter)

25 CHAIRPERSON PETERSEN: Jim Fagelson, Newport

1 CH International. Broker/exporter emphasizing fibers.

2 I've known Jim forever.

3 And where is Dennis? Is he here yet? Well,
4 Dennis Kazarian is coming, and he'll be talking about
5 e-waste.

6 But first of all, Mark, I understand that we
7 have a clip that --

8 EXECUTIVE DIRECTOR LEARY: I do, Mr. Chairman
9 and Members. Good morning.

10 In considering or thinking about Agenda Item
11 9, discussion of California recyclables and commodities
12 market, I thought a nice way to set the stage for this
13 conversation would be to play a clip that I heard
14 driving in on Monday morning on NPR that kind of talks
15 to this story and this issue on a national basis.

16 And although the spin on this thing is a
17 little bit on the east coast, it speaks of it being a
18 national and global problem; And it's a -- it's kind of
19 an intro, primer kind of thing for laypeople.

20 But I thought it kind of sets the tone. And
21 then the panelists can launch from that kind of stage
22 setting to go forward with the discussion you
23 envisioned. So --

24 CHAIRPERSON PETERSEN: Great.

25 EXECUTIVE DIRECTOR LEARY: -- if Jon would go

1 ahead and play it, it's about four and a half, five
2 minutes long. So sit back and listen just for a
3 second. Thank you.

4 (Whereupon a radio program from NPR was
5 played.)

6 CHAIRPERSON PETERSEN: Okay. Well, that's the
7 latest from NPR.

8 I'd like to also introduce Dennis Kazarian,
9 who just arrived, who's going to be talking about
10 e-scrap, which we're going to change the name from
11 e-waste to e-scrap because it's a resource.

12 (Laughter)

13 CHAIRPERSON PETERSEN: This panel is going to
14 be about two hours. We're going to have about an hour
15 of presentations, and then we're going to open it up to
16 questions and see where we can end up with this.

17 And so what I'd like to do is introduce George
18 Eowan. And you're up. Push the button. Oh, sorry,
19 hold on.

20 MR. EOWAN: Yeah.

21 DEPUTY DIRECTOR LEVENSON: Staff, we had a
22 short presentation --

23 CHAIRPERSON PETERSEN: Oh, I'm --

24 DEPUTY DIRECTOR LEVENSON: -- just to set some
25 of the context.

1 CHAIRPERSON PETERSEN: I didn't want to --

2 Howard, I'm sorry.

3 DEPUTY DIRECTOR LEVENSON: Sorry, Gary.

4 CHAIRPERSON PETERSEN: Man, don't be mad at
5 me.

6 (Laughter)

7 CHAIRPERSON PETERSEN: You go ahead, Howard.

8 DEPUTY DIRECTOR LEVENSON: And I almost
9 hesitate, because you do have the experts in the room
10 here as well as in the audience, and we don't want to
11 pretend to know more than they do.

12 But we thought that, given the dramatic nature
13 of the drops in commodity prices -- and we all know
14 this has severe ramifications for brokers, material
15 collectors, jurisdictions, processors, and the state as
16 a whole.

17 The Board's already taken some steps to
18 address this. Last month, Executive Director Leary
19 discussed this at our Board meeting. Our Waste
20 Compliance and Mitigation Program has issued guidance
21 to LEAs on storage issues and the potential avenues for
22 providing temporary relief.

23 And that was issued 25th of November, and Ted
24 certainly can provide more details on that. So we took
25 an immediate step on that front.

1 And then obviously you took the leadership,
2 and the Board took the leadership, in setting up this
3 panel for today. And we'd like to just set the stage
4 for it with a little brief presentation.

5 We did a little bit of historical research and
6 did a quick survey of some stakeholders to get some
7 context on the nature of the problem and ideas for the
8 Board to consider.

9 So Brian is just going to go over very quickly
10 what we've been able to glean in the last few weeks
11 from a variety of stakeholders. And I want to thank
12 Brian and Robert Carlson and Sue Ingle for putting this
13 material together.

14 And thanks for indulging me.

15 MR. LARIMORE: Good morning. I'll try to make
16 this brief so we can get to the real experts here.

17 Before we get to the panel discussion, I want
18 to briefly discussion historical recycle materials
19 markets and impacts resulting from the global economic
20 downturn.

21 I'd like to make a few points about commodity
22 markets. One, by nature they are cyclical.

23 Two, some commodities were at historical highs
24 which was probably unsustainable.

25 An increase in the number of recycling

1 programs has resulted in the increased supply of
2 recovered materials. The global recession is really
3 hurting prices for recycled materials.

4 And lastly, Asian markets may have overreacted
5 and may adjust upwards.

6 The drop in prices for recyclable materials
7 has led to several problems, including some baled
8 material being landfilled, especially paper, but also
9 we're finding some glass and plastics.

10 Some facilities are reporting their storage
11 capacity is down to few weeks. They're seeking
12 additional warehouse capacity.

13 There is a report from the Department of
14 Corrections and Rehabilitation that material is
15 accumulating at their statewide institutions. I don't
16 know what, you know, their contracts say, but that's
17 what they're reporting.

18 So the Board and the LEAs will have to be
19 mindful of the health, safety and environmental issues
20 related to the storage of these materials.

21 Waste haulers that are used to being paid by
22 recyclers for materials may now be asked to pay them.
23 These fees help offset collection costs, so
24 jurisdictions may have to amend contracts,
25 resulting in higher residential rates.

1 Of course, jurisdictions are concerned about
2 diversion rates. These problems have led some
3 stakeholders to seek Board action.

4 I'd like to show you historical prices for a
5 few recyclable materials. Now, the historical data
6 comes from various sources, and you could actually do
7 it by region, even by port, so the numbers and charts
8 would look a little bit different.

9 The charts I'm showing you aren't adjusted for
10 inflation. This is for old corrugated cardboard, OCC,
11 prices at the Port of San Francisco. And you can see
12 they've dropped substantially during the last few
13 months.

14 These are prices for old newspaper, at the
15 Port of San Francisco also, and they dropped quite a
16 bit.

17 This chart shows the abrupt price drop for
18 HDPE, mixed colors post-consumer pellets. Prices for
19 natural post-consumer pellets show a similar trend to
20 mixed colors post-consumer pellets.

21 And prices for post-consumer PET Flake are
22 approaching historical lows not seen since 1997, while
23 prices for post-consumer film pellets are turning down,
24 but not as sharply as HDPE and PET.

25 The average price for used beverage

1 containers -- this is for aluminum -- have fallen off a
2 cliff. I mean, it's down below as far back as the
3 chart goes. Seeing similar trends for tin.

4 As Howard mentioned, we did a survey. We sent
5 it out to about 300 stakeholders, and we got 57
6 responses, which was pretty amazing considering it was
7 right before Thanksgiving and we gave them until
8 December 3rd. So there's obviously a lot of interest.

9 Materials covered were paper, plastic, glass,
10 metals, and e-waste. A separate survey was being done
11 under contract with R.W. Beck for tires, so I'll just
12 mention that briefly.

13 The survey offers a snapshot into stakeholder
14 concerns. Survey questions focused on material- and
15 facility-specific information such as material flow
16 trends including storage tonnages and storage time,
17 conditions resulting in negative impacts, and actions
18 taken.

19 Survey respondents were also asked to describe
20 actions the Board could take. The results were
21 collected and analyzed last late week.

22 Survey respondents were asked whether storage
23 volumes had increased recently in comparison to
24 January. About half of the respondents indicated that
25 storage volumes have not changed, while storage volumes

1 have increased for greater than 40 percent of the
2 respondents.

3 So it's basically either stayed the same or
4 storage has gone up quite a bit. It has -- it's not
5 going down.

6 Results for storage time mirror those for
7 storage volume, with the exception of glass, with only
8 one respondent indicating an increase in storage time,
9 versus four indicating storage volume had increased.

10 When asked the top conditions negatively
11 impacting their operation, respondents indicated
12 commodity prices. Basically, over 90 percent of the
13 respondents.

14 Access to outlets, brokers, and buyers was
15 pretty significant as was physical storage limitations
16 and other operational costs such as labor and
17 transportation.

18 When asked what actions they may be taking,
19 respondents indicating charging fees for service,
20 seeking new outlets, brokers and/or buyers, storing
21 materials in anticipation of improved pricing, and
22 reducing operational costs.

23 Then lastly, respondent recommendations.

24 When asked to describe actions the Board
25 should take, respondent recommendations included

1 developing markets, increasing recycled content
2 requirements -- although with the caveat that if you
3 make them too high and the supply isn't there, I mean,
4 there'd have to be some wiggle room.

5 Developing infrastructure such as paper mills,
6 relaxing storage restrictions, and economic assistance,
7 such as processing fees for curbside collection of
8 recyclable materials.

9 E-waste stakeholders responding to the survey
10 are calling for adjustments and expansion to the
11 e-waste program.

12 LEA responses related to illegal dumping,
13 health and safety, permitting, etc. Some LEAs reported
14 an increase in illegal dumping and are increasing
15 inspections.

16 In some instances, reports of facility
17 information and local permits may need to be amended.

18 And lastly, preliminary data from R.W. Beck
19 survey indicates the quantity of scrap tires generated
20 is decreasing, exports to China and Vietnam stopped for
21 a few weeks but have returned to a high level.

22 Generally, scrap tire recyclers not being
23 impacted -- are not being impacted sharply by the
24 economy yet. Demand for reuse is up.

25 Export markets, mainly China. Mexico is also

1 a growing market.

2 And processors were generally able to adjust
3 rates for high oil fuel cost so the negative impact was
4 minimized.

5 And in fact, some markets have become stronger
6 with high oil prices, for example, tire-derived fuel
7 domestically and in China.

8 That concludes my presentation. Thank you.

9 CHAIRPERSON PETERSEN: Thank you, Brian. Any
10 questions from the members?

11 Brian, I'd like to get a copy of -- Brian? I
12 want to get a copy of what you just presented, please,
13 for the members here. Please. Thank you.

14 Okay. George, now you're up.

15 MR. EOWAN: Good morning.

16 CHAIRPERSON PETERSEN: Good morning.

17 MR. EOWAN: Ah. There we are.

18 Mr. Chair, Board Members, thank you very much
19 for putting this together.

20 I just want to thank you for all of our
21 companies at the California Refuse Recycling Council
22 that your immediate, swift response to what is
23 continuing to be a major problem for the success of AB
24 939, for the success of our companies, for the whole
25 recycling, waste diversion world that we all live in.

1 I thank you very much for taking a leadership
2 role in this problem and trying to find out what the
3 problem is, how we can all work together to solve the
4 problem, identify pathways that will hopefully
5 alleviate some of this -- if not in the short term, at
6 least in the long term.

7 Okay. Let's see if I can do this. Ah. Oh.

8 California Refuse Recycling Council, for those
9 of you that don't know, it's about a hundred companies
10 in California that are really oriented towards waste
11 diversion.

12 We also have companies, obviously, that have
13 landfills in our -- in our organization. But if you go
14 to any of our meetings, you'll find that a lot of what
15 we're talking about is diverting waste, how we can do
16 it better.

17 Always, markets are on top of our discussion
18 lists. And we are always looking for ways to do -- do
19 it better and keep it -- keep things going.

20 We are -- there's about -- in looking at your
21 solid waste information system database, there is about
22 200, or -- plus or minus; I think it's probably plus --
23 transfer station and MRFs in California, and our
24 companies own and operate a lot of those.

25 In southern California in the four major

1 counties, there's about a hundred of these facilities
2 operating. And we are intricately involved either in
3 owning and operating them ourselves or working with
4 others that are doing that. So we do have a lot of
5 experience in this whole area and have since the very
6 beginning.

7 My role this morning is really not to tell you
8 the story of each of our companies but to pretty much
9 give you an overview of what we've been looking at for
10 the last several months now in terms of seeing this
11 decline starting to emerge and then now getting to a
12 point where it's really a crisis.

13 So I want to -- my role is really to give you
14 that kind of an overview, and then we have a lot of our
15 member companies here this morning that can give you
16 real expert advice because they are in the trenches
17 everyday.

18 The problem, and -- and I -- you know, you're
19 going to hear this a lot, and I don't pretend to have
20 all the bright ideas on what the problem is, but just
21 as an overview, the current markets are in turmoil. We
22 all know that; that's why we're here.

23 The recessionary fears have a lot to do with
24 that. I think it's a worldwide problem; it's not just
25 a California problem.

1 There is obviously decreased consumer demand
2 for product which has an effect on things like
3 cardboard boxes and you name it. The demand -- and
4 these numbers -- I mean, it depends on who you talk to,
5 and I've seen numbers much higher, but the demand for
6 recovered paper, metals, and plastics has fallen
7 somewhere between 20 and 80 percent and in some cases
8 even more.

9 And the prices for recyclables have really
10 dropped drastically, as Brian and your staff have
11 already mentioned, and that has a lot to do with the
12 success of these programs.

13 Additionally, the recycling system relies on
14 credit, especially the exporting side of it. And so as
15 credit goes down, the availability of credit, it's
16 going to affect and continue to affect this.

17 So the fact that we're tied -- this whole
18 issue is tied to an economic problem worldwide. I
19 don't know what the Dow is doing today but, you know,
20 everybody watches it every day and tells you it's up
21 today and down tomorrow and this and that.

22 This is tied to that in a long-term way and in
23 a short-term way. And people in -- that are
24 responsible for these things are reacting to this
25 economic problem.

1 And then finally, the producers of
2 recycled-content products currently hold very high
3 inventories because of the fact that their products are
4 not as in high in demand.

5 Plastics have declined from 20 to 40 cents per
6 pound, are now down -- that were at 20 to 40 cents are
7 now down to 5 to 10 cents.

8 Newspapers were at well over \$100. Now we're
9 down to \$30 to \$50 a ton. And maybe that's dropping;
10 these numbers are a little bit old.

11 Aluminum cans is -- were at a dollar a pound,
12 and now they're probably at half that level or
13 somewhere lower than that.

14 But the price -- the bottom line not
15 necessarily what the price is today, but it's a really
16 serious problem because it affects how we operate our
17 businesses.

18 Storage is a key issue right now. Product is
19 being stored when it can't be sold, and it's -- it
20 depends on the individual company, in our case, as to
21 how much is being stored, or where it's being stored,
22 and how it's being stored.

23 But it is a very, very big issue for us. It's
24 a costly issue. And it's a risky thing to do because
25 what you're really doing is waiting for an opportunity

1 to sell product, period, or to sell the product at a
2 better price. And there is only so long that that can
3 be done for some of these materials, as you know.

4 The costs are mounting up. And at some point,
5 that gets to be -- you hit that tipping point, so to
6 speak, and it, you know, it's not cost-effective to
7 continue to store it.

8 This is something that was in the LA Times
9 business section yesterday, the Allan Company. And
10 they're storing their -- it looks like news right now,
11 and this might be something that's going on at various
12 levels around the state.

13 I've already mentioned that these markets are
14 tied to worldwide economic trends. I think one of the
15 key questions for us is: Is this a wake-up call for
16 us?

17 I mean, for 18 years now, and soon to be 19
18 years, we have built AB 939 infrastructure based on
19 markets. And I remember -- I have to admit it, because
20 you already know it. I was there when we were writing
21 AB 939 and when it began to be implemented.

22 And the debates around this whole concept at
23 that time, a lot of it was: Are there markets?

24 And when we were writing AB 939, we struggled
25 very much with how do we write into the bill something

1 that will help markets? And I don't think we did a
2 very good job. And I don't know that, you know,
3 looking back 18 years from now, that we could have done
4 anything differently.

5 I -- we -- that's something we don't
6 understand. We didn't at that time, as government
7 people, understand markets.

8 And I think we're -- maybe we lucked out and,
9 you know, China came along and other Asian markets, and
10 kind of, to use Evan Edgar's term, bailed us out.

11 And so I'm wondering if this needs to be
12 looked at as a wake-up call. What have we built our
13 system on? And what can we do to change it, now that
14 we're seeing this?

15 Because you'll talk to people and they say,
16 well, we went through this in the mid-'90s, it's going
17 to come back, and so forth and so on. That may be well
18 -- you know -- that may be true.

19 But do we want to be reliant on foreign
20 markets, just as we're reliant on, you know, foreign
21 markets for foreign oil? It's kind of a similar
22 parallel kind of a thing, you know.

23 And is that what we want to do? Is that how
24 we want to base our system?

25 So I think the question is: Will we learn

1 from this experience, and what will we do to, you know,
2 to make it a different situation?

3 Some future direction. Storage and
4 permitting, two key right-now issues that we have to
5 deal with.

6 And I want to thank the Board for moving
7 forward very, very quickly. This is a big ship that
8 you're running, and to turn it a little bit one way or
9 the other takes a lot of work, and I appreciate it from
10 all of our companies.

11 We still think there needs to be a look at
12 permitting. What can you do to help us design, build,
13 permit our facilities so that there is some flexibility
14 in there when these kinds of things come and allows us
15 to adjust our permits for these kinds of emergency
16 crisis kinds of situations.

17 Particularly, I'm referring to storage right
18 now. But I don't know; it could be something else in
19 the future. So the permit amendment process, I would
20 really like to work with you on that to see if there is
21 a way to speed it up, make the LEAs more comfortable
22 with those changes, and so forth.

23 So that's kind of one of the overarching
24 permitting issues that we would like to look at. And
25 there are others.

1 In the future, foreign and domestic markets.

2 This is where it gets to be, you know, Creative
3 Thinking 101. And I know there is going to be some
4 good ideas thrown out here, and these are just some we
5 have come up with.

6 The Waste Board needs to take maybe a more
7 expansive role in terms of monitoring the recycling
8 market system. The products that we produce, the
9 collection of all that material, what -- what's going
10 on out there? What can the Board -- what does the
11 Board know about it, and how can the Board get involved
12 with that, particularly now the overseas market?

13 We would like to see you develop ongoing,
14 direct contacts with those markets. I think that's a
15 role that the Board could play.

16 And maybe that's through foreign governments,
17 if you will, Chinese government, whatever. I think
18 it's a federal trade issue. It's certainly a state
19 trade issue.

20 And so maybe there's a federal level
21 involvement that the Board, on a leadership basis,
22 could take forward and say, look, this is a major
23 export that we have in California. It's a huge export.
24 It has a lot to do with our trade around the world.

25 And this is true, whether you're on the east

1 coast or the west coast. We just happen to be on the
2 right coast.

3 But I would say that that needs to be looked
4 at, government-to-government kind of thing, and to give
5 us maybe more direct access to information that -- we
6 get a lot of information on our own basis, on a
7 business level, but I think there's a role for the
8 Board to play in all of this.

9 So I would -- I would encourage you to
10 establish some kind of ongoing dialogue, meetings,
11 relationship with China and other -- other governments
12 that are involved in this, and maybe we can work
13 together on that.

14 Because I don't think they want to have the
15 meltdown happen any more than we do.

16 So -- and there's going to be an ongoing
17 situation, whether the prices go up or down, and so I
18 think it's going to be a necessary thing.

19 Rebuilding California's infrastructure. The
20 Recycling Market Development Zone Program, which is
21 something that was part of the initial AB 939 efforts,
22 has been a good program.

23 I'd like to see that maybe relooked -- take a
24 relook at the RMDZ program. What can we do?

25 If you look at your website and what's going

1 on there, one of the things you're talking about in
2 there is permitting assistance. Well, some of these
3 facilities really need permitting assistance. I mean,
4 they're difficult to site and permit for a lot of
5 reasons.

6 And generally people that have innovative
7 technologies to deal with these things try to get
8 around the permitting, because it's onerous. So
9 there's a role there, I think, for RMDZ programs to
10 really kind of take a look at this and say what can we
11 do to speed that up or somehow make it more efficient
12 and less onerous.

13 It's a hindrance. And maybe rightfully so in
14 some respects, but I think there is -- there's some
15 room there to make it better.

16 Alternative energy. I think it's time to look
17 at that again. Conversion technology, alternative
18 technology. But the value of energy, we've learned
19 again just with the oil markets and what's going on
20 with that.

21 So I -- you know, it is a tough one. I
22 realize that it's a very highly political thing. But
23 it's in our view very necessary to take another look at
24 this. Unravel the -- I mean, there's a lot of
25 illogical law in this area, and I would like to

1 encourage you to develop a scientific basis by which
2 people could permit these facilities and also receive
3 diversion credit.

4 There's got to be a way to improve where we
5 are now other than just kind of stonewalling the issue
6 as we have for so many years.

7 So that's really my five minutes, and I
8 appreciate the opportunity to speak to you.

9 Thank you.

10 CHAIRPERSON PETERSEN: Thank you, George. Any
11 questions from the panel members? George, thank you.
12 Great ideas. I happen to agree with you on, I guess,
13 all of it. And --

14 MR. EOWAN: Thank you.

15 CHAIRPERSON PETERSEN: And that's the only
16 time I'm going to agree with you.

17 (Laughter)

18 CHAIRPERSON PETERSEN: Anyway. All right.
19 And I want to just keep going here, and then maybe
20 we'll have questions at the end. Chuck? Recycle
21 America Waste Management. Here we go.

22 MR. SCHMIDT: Good morning, Mr. Chairman. And
23 thank you on behalf of Waste Management --

24 CHAIRPERSON PETERSEN: Thank you for coming.

25 MR. SCHMIDT: -- Recycle America. This is a

1 great forum, and we're happy to contribute.

2 We've seen a similar graph just earlier, but I
3 think this one, you know, does illustrate that this --
4 the market that we're in today is, in the -- in the
5 swing that it recently took is really nothing new.

6 We've been here before, namely, back in '96,
7 you know, a correction in the early 2000, late -- well,
8 early 2000.

9 Then we enjoyed a very nice long run over the
10 past several years, of increased markets and
11 participation in recycling and the general
12 matriculation of single-stream and other technologies.

13 What I want to point out, which I think is
14 significant, is during this -- this run-up is a lot of
15 processors -- and I'm -- and I'm -- I'll speak from a
16 macro level, representing, you know, across the --
17 across the country, that a lot of processors did deploy
18 single-stream technology to keep up with that -- that
19 change in modality.

20 As these markets have recently trailed off,
21 that puts a huge pressure on operators, as they, you
22 know, went out and purchased this -- this technology to
23 support the single stream. And as the -- as the
24 revenue source starts to go away, it really puts some
25 added -- added pressure on processors.

1 We've maybe covered this somewhat, but the,
2 you know, the volatility is a result of the global
3 economic downturn. It's simply a supply-and-demand
4 scenario at this point. Less consumer demand means
5 less packaging that needs to be produced, which in turn
6 means less -- less orders to be -- to be filled from
7 the -- from the processors' perspective.

8 There's been some -- some mill downtime that's
9 been taken. And that's nothing new, and it's really
10 tied to the cyclic nature, you know, throughout the
11 calendar year.

12 But what we're seeing today is mills are
13 taking a more extended down -- downtime, particularly
14 in the -- in the fiber mills, but most recently also in
15 some of the -- some of the nonfiber mills as well
16 and -- and overall reduction in the amount of material
17 there that's being purchased from -- from Asian --
18 Asian buyers.

19 In our -- in our view, you know, what -- the
20 market downturn has struck, really, in four core areas.

21 From a logistics perspective, as mills are
22 coming under -- or I'm sorry -- as MRFs are coming
23 under more pressure in feeling the, you know, the pain
24 of the reduced revenue and demand from the mills, they
25 have simply in some cases shuttered and closed which

1 has caused a, you know, a problem and issue with some
2 haulers that they simply can't find a home or
3 haven't -- can't go to the home that they once had as
4 MRFs, at the worst, shutter or, if not, severely
5 curtail the number of tons they will accept.

6 As I alluded to earlier, you know, from an
7 operating cost perspective, you know, the deployment of
8 single-stream technology with, you know, all the bells
9 and whistles of optics and so -- and enhanced screening
10 technology, with that downturn in mill orders, has just
11 put an increased burden on operating expenses and
12 return on invested capital.

13 There is certainly inventory burden that we've
14 already kind of spoke to this morning. And I think
15 it's really tied to where the operators are located.
16 Certainly there's perhaps less storage concerns if
17 you're located near a coast where you've got access to
18 ports.

19 If you're a MRF operator in the midwest, for
20 example, where you've got, you know, additional drayage
21 costs to get to the nearest port, that certainly, you
22 know, adds to the burden.

23 And we believe there is a municipal impact
24 here. First and foremost on a rebate perspective.
25 We're -- municipalities have come to count on certain

1 rebates to support the recycling programs and all the
2 programs that are underneath it, education and so
3 forth. Those rebates, which are tied to market
4 indices, are sharply less than what they once were.

5 We've seen throughout the country RFPs that
6 have just simply been canceled where municipalities are
7 choosing to wait out the storm as it is and see what
8 the next several months may bring.

9 And I think -- and this is particularly of
10 interest to us as we've promoted our sustainability
11 goals over the past several months, is a risk
12 potentially of public trust in recycling and all the
13 good that comes from it, you know, from sustainability
14 to greenhouse gas reductions and so forth.

15 So I personally see that as a risk that
16 these -- that the times could bring.

17 Rebates to customers are being adjusted, and
18 in some cases fees are being deployed both on
19 collection and on the processing side of our business.

20 We see this as -- again, as the graph
21 previously illustrated, as a temporary situation as the
22 velocity really took hold and as the prices decreased
23 in a number of weeks as opposed to months.

24 However, we do see that the recovery will take
25 some time, and to get to, you know, a five-year average

1 could be several months if not perhaps longer.

2 We're -- we continually are looking at, you
3 know, our rebate structure with customers and making
4 adjustments when it's appropriate to do so.

5 And at the same time, however, I want to be
6 clear that we are stepping up our educational efforts
7 to ensure that the inbound material that we get does
8 meet some quality standards.

9 You know, residue is probably one of the most
10 onerous parts of running a MRF. It impacts operations,
11 it impacts the ability to run our facilities at their
12 most optimum state. And certainly I think during this
13 time it is critical to have that reach to the
14 municipalities and to residents to ensure that the
15 quality of materials that are actually placed in the
16 recycling bin, you know, meet some minimum, you know,
17 quality standard.

18 In terms of recommendation, you know, we would
19 recommend the expansion of market development and
20 quality processing incentives.

21 Increase DOC payments to operators,
22 potentially, to help offset, you know, the downturn in
23 markets.

24 We've talked about a little this morning
25 already about the relaxation, and I certainly

1 appreciate those efforts, as it, you know, becomes
2 necessary for material to potentially to be stored on
3 premises.

4 There -- from my view, I can tell you that
5 California is looked at from many parts of the country
6 as being the leaders in recycling. And we think that
7 there is certainly some, you know, benefit for
8 California to take a lead to set a new course, and
9 we're hopeful that this, you know, this forum this
10 morning will help establish a course.

11 But I certainly think that there's opportunity
12 to set this trail where other states could follow and
13 help bolster the entire infrastructure, you know,
14 within the country.

15 We also believe that the Western Climate
16 Initiative would -- represents a nice platform, you
17 know, to help launch some of these initiatives,
18 hopefully many of which will come from this meeting
19 this morning.

20 And we recommend that the Board work with
21 retailers and address the, you know, the recycling
22 content matter and hopefully expand those markets for
23 us.

24 Thank you. That concludes my presentation.

25 CHAIRPERSON PETERSEN: Thank you, Chuck.

1 Thank you very much. Boy. Some great ideas.

2 Okay, we're just going to keep moving along.

3 And Jason, here we go.

4 MR. YOUNG: First of all, I'd like to say
5 thank you for inviting us up here to speak. That's not
6 my -- I don't have a slide show so I apologize.

7 But through the work of the California
8 Integrated Waste Management Board, the State of
9 California has made significant strides increasing the
10 recycling of paper, metals and plastics and reducing
11 the impact of our landfills and on our environment.

12 However, the success of the State's commitment
13 to recycling has been built on the recyclers' ability
14 to market the commodities for new uses.

15 In California, recyclers have developed
16 agreements in markets across the United States and
17 throughout the world to supplement California's
18 diminished recycled commodity markets.

19 For example, since 2002 California has lost
20 seven paper mills, accounting for over half the state's
21 paper production. These mills have closed for a
22 variety of reasons, including energy costs, fiber
23 costs, environmental issues, low selling for finished
24 products, high operating costs, difficult California
25 regulatory environment, and poor markets for the

1 finished product.

2 Our scrap markets are tied to the US and the
3 world economies. We have felt the severe effects of
4 the global recession.

5 For instance, on September 15, 2008, baled
6 mixed paper was selling for \$130 per ton delivered
7 dock. On October 15th, that was \$35 dollars per ton.

8 OCC was \$165 per ton on September 15th, and on
9 October 15th, it was \$50 per ton.

10 As recyclers, we're used to big swings in
11 market prices. The supply and demand laws of our
12 business normally cause 20 to 30 percent market swings.
13 The main reason for this is it takes paper products 60
14 to 90 days from production to recycling.

15 This downturn is far more significant. Our
16 prices fell 80 percent in 30 days. This is the largest
17 one-month fall Allan Company has seen in our 45-year
18 history.

19 As the market stands, recovered paper prices
20 are well below the cost to recover them. Single-stream
21 curbside line operating costs run between \$80 and \$160
22 per ton depending on the tonnage, volume, building and
23 land costs, labor costs, truck delivery costs, trash
24 costs, machine costs, and machine efficiency.

25 If you add the floor price paid to the cities

1 of \$20 to \$30 per ton, the total curbside costs are
2 between \$100 and \$180 per ton.

3 However, as of December 1st, revenue from the
4 stream was only \$90 to \$140 per ton. As you can see,
5 the MRFs are not doing well in this environment.

6 For example, we have a nice single-stream MRF
7 in northeast Los Angeles, in Sun Valley. The MRF is a
8 permitted transfer station on four acres with a 95,000
9 square foot building and a dual-processing line.

10 We own the property valued at \$12 to \$15
11 million and the equipment valued between \$6 and
12 \$7 million with no debt.

13 The total incoming volume of the MRF is 7,000
14 tons per month, and it includes contracts with the City
15 of Los Angeles East Valley District and other haulers.
16 Our average payment for single-stream material is \$15
17 to \$30 per ton.

18 Redemption on the material is very low as it
19 services primarily middle- and low-income families who
20 have redeemed the material.

21 Our projected loss for November 2008 is
22 \$190,000, an average of \$27 per ton.

23 In the midwest, losses are worse. Their fiber
24 prices are generally \$20 to \$30 less than ours, and
25 there is no redemption on the material. If they are

1 covering the trash costs, their losses will be \$5- to
2 \$600,000.

3 Basic economics tells us this is not a
4 sustainable model.

5 Recyclers are taking the actions available to
6 them to try to recover their losses or cut costs. Many
7 are warehousing product until the markets open up and
8 prices improve.

9 We understand there are warehouse after
10 warehouse in the midwest full of paper. Allan Company
11 has had to lease an additional 400,000 square feet of
12 warehouses because movement for the material was
13 limited.

14 Some industry members are also trying to stem
15 the flow of recycled commodities. We are aware of one
16 large trash company that has announced they will not
17 pay for recovered paper unless the supplying customer
18 has a contract.

19 International Paper and U.S. Gypsum have
20 announced they will pay no more than OBM, or list
21 price, for recovered fiber, and any long freights must
22 be discussed.

23 Our current -- the current OBM price is
24 \$40 per short ton shipping point for OCC. In the
25 midwest, this is causing a problem as there are lots of

1 guaranteed floors for OCC, office pack, and ONP, all of
2 which exceed the OBM by \$5 to \$20 per ton.

3 Prior to the crash in recycled commodity
4 markets, recyclers were able to sustain acceptable
5 balance sheets in spite of cumbersome and expensive
6 regulations controlling their operation. However, as
7 the markets decline, the cost of these regulations
8 imposed by local and state governments are becoming
9 crippling.

10 We need help bringing balance to these
11 regulations, or the California recycling industry will
12 follow the paper industry out of business.

13 To illustrate the burdens we are working
14 under, I will list just a few things for you that the
15 California recycler has faced in the last two years.

16 Port fees. There's a hundred dollar per
17 container for daytime delivery. This equals 5 to 10
18 percent of our current revenue for recovered paper.

19 Our additional costs to deliver -- for night
20 delivery is \$2.50 cents per ton. Our daytime bill for
21 Allan Company is about \$100,000 per month.

22 We purchased \$7 million worth of new trucks,
23 60 in total, to deliver our recovered paper to the
24 dock. This is in compliance with the port's clean air
25 action plan. The cost is \$50 per truckload,

1 approximately \$2.50 per ton.

2 This was implemented under absolute force by
3 the cities and includes a \$70 penalty per container if
4 not complied with.

5 No penalty has been enforced yet, but our
6 costs -- because we complied with it -- is still \$2.50
7 per ton.

8 The scrap metal theft bills that were passed
9 last year have cost us at least a million dollars in
10 computer check printers, customer anger and lost
11 business. Many of the checks that I cut to my
12 customers are less than the cost to print the actual
13 check.

14 I gave you a list of the -- this green sheet
15 I'm assuming you all have. On the right-hand side is a
16 list of the regulatory bodies that -- I'm not sure it's
17 a full list, but there's 41 that I have there.

18 CHAIRPERSON PETERSEN: That's enough.

19 (Laughter)

20 MR. SCHMIDT: I only pointed out three
21 regulatory costs which is costing us 10 to 15 percent
22 of the revenue of OCC and mixed paper. This list shows
23 41 other regulatory bodies that have costly authority
24 over us.

25 California has been double tough on its paper

1 mill community. The other sheet I circulated lists the
2 mills that have closed. In that same sheet, on the
3 left-hand corner, the mills that have closed in
4 California in the last seven years:

5 U.S. Gypsum, 500-ton-a-day wallboard mill,
6 closed 2008.

7 Blue Heron, 450-ton-per-day newsprint mill,
8 closed 2007.

9 Pomona Paper, 450-ton-a-day medium mill,
10 closed 2005.

11 Smurfit, 500-ton-per-day corrugated medium
12 mill, closed 2008.

13 Gaylord Container, 1200-ton-a-day liner mill,
14 closed 2003.

15 Recycled Fibers, closed, 300-ton-a-day mill,
16 boxboard, 2003.

17 Sierra Tissue, closed 2002, 7 tons per day.

18 L.A. Paper Box & Board mill, Commerce, 100
19 tons per day, closed in 2006.

20 Each of these have different and the same
21 reasons for closure. The simple fact is manufacturing
22 is leaving the state.

23 If you look in the bottom section of the sheet
24 I handed out, there are some stocks listed from our
25 industry. The top two are the two largest steel

1 producer -- or steel recyclers in the state, Sims and
2 Schnitzer. Currently, they are trading under book
3 value.

4 The bottom three are three of the largest
5 paper mill groups in the country: Smurfit-Stone,
6 Abitibi, International Paper, all very large consumers
7 of recovered fiber. All of them trading significantly
8 under book value.

9 I was asked how the Integrated Waste
10 Management Board can help.

11 The first thing I would suggest would be the
12 Board, as the State authority, needs to have some
13 control over the cities who are imposing wide-ranging
14 fees on recycling businesses. The franchise cities
15 impose fees and taxes that are too costly in today's
16 environment for us to comply with.

17 I think the Board needs to visit the
18 definition of solid waste. As it is today, the
19 positive-negative value definition is very difficult to
20 come by.

21 I'll give you an example. I have many
22 manufacturers located around my facilities that I have
23 roll-off bins for corrugated at. Those roll-off bins
24 contain somewhere between one and a half to two tons of
25 cardboard.

1 It's worth approximately \$40 per ton. The
2 cost -- the freight cost to get it to my facility is
3 \$80, so it's a negative \$40 per ton.

4 If it's a franchise city, I cannot charge the
5 customer. Many cities are -- make us comply strictly
6 with that. I think some guidance from the Board would
7 be very helpful in that regard.

8 Establishing a new paper mill, personally, I
9 do not think is a realistic expectation in California.
10 I just -- the paper mill industry is fleeing the United
11 States and north America in general. There has been 75
12 closures in the country.

13 I just am not sure that if you -- I don't know
14 that applying resources to that is a good option.

15 I do think that we have a viable existing
16 paper mill community here, and I think this Board
17 should do everything that it can to make sure that they
18 stay here.

19 Two of the mills in California closed this
20 year. And I think that if you're looking at helping
21 that industry, that's the place to help.

22 Also, you can ease back on your own Integrated
23 Waste Board regulations.

24 The temporary solid waste permits, these are
25 costly to recyclers and being enforced differently in

1 different areas of the state.

2 The three-part test is being interpreted
3 differently throughout the state. I have facilities
4 applying for transfer permits that have under five tons
5 and up to 50 or 60 tons per day of trash. The smaller
6 ones have less waste than some commercial businesses.

7 I don't think that a transfer permit is
8 required for those or it is the intention of the Board
9 to have that.

10 In closing, I would like to say thank you for
11 your time and asking me to come be a panelist. I am
12 not a frequent visitor to these meetings, and I rarely
13 agree to speak in these meetings. I'm a businessman,
14 and the simple fact that I am here should indicate how
15 difficult it is for our industry in today's market.

16 CHAIRPERSON PETERSEN: Well, thank you Jason.
17 That's quite a list, and some great suggestions. A lot
18 to think about. Okay. Let's keep going. I'm going to
19 be depressed.

20 (Laughter)

21 CHAIRPERSON PETERSEN: Jim, you're up.

22 MR. FAGELSON: I'd like to thank the Board for
23 inviting me to participate on the panel today and
24 hopefully offer some insight on what's been going on in
25 the markets, although we've heard quite a bit already,

1 and to help the Board make some informed decisions.

2 I'm with Newport CH International. And after
3 listening to the first three folks here, I'm rather
4 glad at this moment we don't operate plants out here.

5 We are a brokerage company, a trading office.
6 We operate our main office here in southern California,
7 and we have an office in China and also in the U.K.

8 80 percent of what we do is trading of waste
9 paper, and we do some scrap steel.

10 To give you a little bit of the historical
11 market perspective, which a lot of it has already been
12 discussed, demand has run through many cycles over the
13 years, demand coming from both domestic end users and
14 more and more, over the last ten years, from foreign
15 buyers.

16 As more mills are built, prices for
17 recyclables tend to go up which stimulates more supply.

18 As our economy or those of other countries
19 pulls back, such as what's happened recently, the
20 demand for recyclables slows; and the result is less
21 production of finished product and of course less
22 demand for the raw materials.

23 The increase in overseas capacity has
24 increased dramatically over the past ten years,
25 primarily in China.

1 Most of the products made are for their own
2 domestic consumption; however, manufactured goods,
3 which we see a lot of over here, and the packaging
4 produced in China also get shipped back to the US and
5 other countries.

6 And we're seeing a tremendous roll-back in
7 that because of the global economy.

8 Pricing trends: The pricing cycles tend to
9 follow general economic conditions; but typically, as
10 demand grows and prices follow, there is an oversupply,
11 and prices and demand slow down. And we're seeing that
12 today.

13 Another chart -- you've seen a couple of them
14 already. The same basic graph. I just plotted OCC and
15 old newspapers, starting in 1995 when we had a huge
16 spike. All the world was happy. Everybody was making
17 money, from the mills to collectors and processors.

18 We had the tremendous drop in '96, although if
19 you look at the more recent one it was a much quicker
20 drop as everybody has already told you.

21 These cycles are going to continue.

22 Current market conditions. I think we've
23 touched quite a bit on that already. I'll kind of walk
24 through this from my perspective.

25 Demand currently is still relatively weak.

1 There is movement. Pricing is increased somewhat the
2 past month, primarily due to a lot of mills overseas
3 trying to average their high cost of raw material
4 inventories.

5 We could see another slowdown as the holidays
6 approach -- our holidays as well as the Chinese New
7 Year which is coming up at the end of January. Most
8 mills are taking some of their production machines down
9 and/or will take more time off to use up more
10 inventory.

11 So short-term doesn't look real strong.

12 Raw material inventory levels are still very
13 high, in China especially. Mills were competing all
14 year for market share and did not curtail buying until
15 they were full and the market quickly softened. None
16 of them seemed to read this market even remotely
17 correctly.

18 The demand for finished product. As these
19 mills were competing for all that raw material and
20 raising their prices, their finished goods inventory
21 was slowly increasing as well. They just weren't
22 selling as much.

23 As the economy turned, they were and still are
24 sitting on huge inventories of rolls of paper. Many
25 mills are now offering huge discounts to help generate

1 cash to keep operating. This is another concern, as a
2 broker and shipper, is making sure these mills have
3 money to pay their bills. And lot of them are
4 struggling, and these are large, large paper mills in
5 China.

6 The increased costs. As commodity values
7 decreased, the market was hit further as steamship
8 lines increased their rates to try and increase their
9 profits and to cover the increased cost of fuel.

10 As fuel prices have been dropping recently and
11 the demand for containers has slowed, we are now seeing
12 shipping prices drop which is reflected in slightly
13 higher commodity prices recently as well.

14 So that in turn has helped somewhat; but
15 again, it's supply and demand with the steamship lines
16 as well.

17 Current issues. In strictly the brokerage
18 business, overall demand, world demand, has dropped in
19 half or more over the past couple of months. This
20 reflects all the things you've been hearing -- again,
21 due to high inventories and the failure of these mills
22 to foresee the economic slowdown early on.

23 This next one has affected quite a few people.
24 Pricing contracts have been renegotiated or cargo is
25 literally abandoned by buyers on the other end.

1 Many brokers and shippers have been caught
2 having to accept lower price for their commodities
3 because the pricing dropped so quickly that overseas
4 buyers did not want to honor prior orders at higher
5 prices, some of those taken within a week or two of the
6 mills reneging on those orders.

7 Cargo that had already shipped would not be
8 accepted if brokers did not agree to lower the price;
9 and even if there were other buyers at the destination
10 port, they wouldn't pay any more at that point either,
11 so you were forced to accept these cuts.

12 This amounted, across the US, millions and
13 millions of dollars over the last couple of months. In
14 some cases, cargo was literally abandoned. Mills
15 either couldn't afford to pick it up at the other end,
16 and still can't, or they just had too much, and it was
17 too pricey, and they said sorry, we don't want it.

18 This has happened a lot with metal as well.

19 Market claims/quality claims. Really two
20 different issues.

21 Market claims, when the mills decide to claim
22 the shippers for quality, weight discrepancies, or
23 excess moisture in order to discount their original
24 prices or to recoup some of the losses the mills
25 perceive to have taken. So it's one strategy they've

1 been using quite a bit lately as well.

2 Although there are legitimate quality claims,
3 they tend to be more prevalent when the prices are
4 lower. This is difficult for all the generators and
5 suppliers because they must maintain the level of
6 quality when processing even though the value to them
7 is very low or almost nonexistent.

8 2009 perspective, demand challenges. I feel
9 the coming year will continue to be soft, certainly in
10 the first quarter. I think movement will slowly get
11 easier as we get through the New Year's holidays here
12 and overseas.

13 Many mill expansions that were planned for
14 2009 have been put on hold, so overall demand will not
15 increase significantly.

16 Pricing-wise, pricing will hopefully increase
17 as the inventories become more in balance. I don't
18 think we'll see big upward spikes in 2009, but I hope
19 I'm wrong and the mills all run out of material.

20 Some of the supply challenges. The low prices
21 for commodities ultimately create low generation. The
22 slowdown in our economy certainly means less products
23 are being bought and consumed; therefore, there's less
24 packaging for recycling, creating less of a supply.

25 Okay. I threw a few ideas out here.

1 State tax credits. I have no specifics. I'm
2 just throwing ideas out, some of these for offsetting
3 some of the inconsistencies in the recycling markets.

4 The next one is certainly a debatable concept
5 but perhaps something to consider. ADFs for packaging
6 or other products.

7 Perhaps something along the lines of a CRV
8 program.

9 Over in the UK, they have what's called PRNs,
10 P-R-Ns. It's a packaging recovery note, and they're
11 traded. But it's good in downmarkets; it helps
12 subsidize it, and they can buy and sell these credits.
13 It's a fairly complicated system, but it does tend to
14 work pretty well.

15 Streamlining permitting processes. This has
16 been touched on, I think, by everybody before me today.
17 Local and state permitting seems to be an overwhelming
18 process in California, and in many ways it hinders
19 business.

20 The enormous environmental requirements, high
21 water, energy costs, as well as high labor costs here
22 have made it difficult for companies seeking to create
23 recycling opportunities or expand their existing
24 facilities to accommodate the recycling needs
25 domestically.

1 Reducing, eliminating port fees. Jason
2 touched on this. The pier pass charges affect most
3 people, certainly in LA. It's been talked about in
4 Oakland as well. People in the Bay Area are certainly
5 concerned about that.

6 The Clean Truck fee. Jason's -- Allan Company
7 is probably one of the fewer companies out there that
8 can go and buy their own fleet of trucks. Most still
9 depend on independent truckers or large trucking
10 companies. So that equates to about \$3 per ton.

11 For us as a broker, it's critical -- not as
12 critical because we're not the generator. But
13 somewhere along the line, that has to be passed
14 through; and ultimately the consumer must pay for that.

15 There must be -- let's see. These must be
16 passed through to the supplier, ultimately to the
17 consumer.

18 This is about the equivalent of \$10 a ton off
19 the actual value of recyclables if all these are
20 implemented. In today's market, that's over 15 percent
21 of the value of corrugated or newspaper pricing.

22 How many more fees or taxes are we looking at
23 in the future? It just seems -- all these become
24 proposed. Some make it through, some don't. But it's
25 adding quite a burden, I think, to everybody.

1 Supporting the existing mills that are left.
2 Jason gave you the statistics on all the mills that are
3 closing. There's fewer and fewer mills recycling paper
4 in California.

5 So I think it is important for the State to
6 look at ways to help the mills that do remain and to
7 keep more markets from drying up here in California.

8 Infrastructure. That's also been touched on.
9 Ports continue to be bottlenecked, both in Oakland and
10 LA and Long Beach. Roads, bridges are in need of
11 repair and upgrades to help modernize. I know some of
12 this is going on in the LA area.

13 Rail lines. Outside depots have been talked
14 about where containers be can dropped off to relieve
15 the congestion within the cities going to and from the
16 ports. LA/Long Beach has been working on it with the
17 Alameda Corridor.

18 Of course, there's another fee for that. I
19 think it just went up. I think it was \$33 for any
20 container arriving from out of the state and using that
21 rail line.

22 Okay. In summary, movement and markets do
23 exist, but the prices are weak and orders are still
24 limited. This will change over time.

25 Recyclers are storing, as we've heard, because

1 of the low values, the lack of stable orders, and the
2 high cost of processing. I feel this is an exaggerated
3 supply/demand cycle. Huge spikes. I attribute a lot
4 of it to the weak global economy.

5 We've run through these spikes before.
6 Typically, it's been one or the other. Sometimes in
7 the high price of scrap is good, but the finished
8 product prices are low so the mills are complaining.

9 There's times like in 1995, where finished
10 product material was selling at record prices, scrap
11 prices were at record prices, so all the world was
12 happy. That doesn't happen very often.

13 Right now, it's happening just the opposite;
14 everybody is suffering at this point.

15 So world economy improves, so will the demand
16 for recycles. It's happened before, and it will
17 continue to happen.

18 World capacity will also continue to grow.
19 We're seeing a slowdown, but the demand for products
20 overseas -- and it's not just China, China is huge.
21 Their economy is continuing to grow, although it's
22 slowed down. Their domestic consumption will be huge.

23 So not all the material that's produced over
24 there is heading out of their country. So we'll
25 continue to see that growth as well.

1 And that is my presentation. Thank you.

2 CHAIRPERSON PETERSEN: Thank you Jim. Very
3 interesting. Okay. How about e-scrap? What do you
4 say, Dennis?

5 MR. KAZARIAN: First, I want to thank all my
6 fellow panelists for doing all my homework. I really
7 appreciate it. They did a great job.

8 (Laughter)

9 MR. KAZARIAN: And before I start, I want to
10 thank the Board. I think there is -- I want to make a
11 statement because I think one thing that the Board does
12 is it responds to our needs. It listens. It's been
13 helpful.

14 It's been encouraging to have someone who
15 responds as quickly as they do to these kinds of crises
16 or concerns throughout the course of this.

17 And any other type of thought process on
18 having any kind of other agency or any kind of other
19 affiliation to work with, is wrong.

20 CHAIRPERSON PETERSEN: You read that article
21 too?

22 MR. KAZARIAN: Not only did I read it, I wrote
23 them something.

24 CHAIRPERSON PETERSEN: Very good.

25 MR. KAZARIAN: But having a Board that

1 responds to the community -- or to the business entity
2 as well the public and you have direct access to means
3 a lot.

4 If we were having this discussion with an
5 agency today, none of us would be here. And we'd be
6 having difficulty getting to them. And I would propose
7 that he go -- that someone think about going the other
8 way. There is another half of this agency, and I think
9 they might need a board to oversee them.

10 But that's another statement.

11 CHAIRPERSON PETERSEN: Thank you Dennis.

12 (Laughter)

13 CHAIRPERSON PETERSEN: Well said.

14 MR. KAZARIAN: And I want to express my
15 appreciation. With that, I'm done. Thank you.

16 (Laughter)

17 MR. KAZARIAN: No.

18 I come from a different perspective because we
19 come from the e-scrap business which was instituted by
20 the State of California and actually was initiated
21 probably from the DTSC as them banning CRTs to begin
22 with.

23 And from there, a piece of legislation came
24 along which -- I think with good intentions -- but I
25 think has some serious flaws to it. And we have over

1 the course of time seen those, and we work with them.

2 Staff has been great, the Board has been great
3 in trying to make this piece of legislation work. I
4 think down the line we have some work to do on that,
5 but that's a different story.

6 What it did do in CRTs and getting the
7 consumer to ban that material or getting us to ban that
8 material from landfills and getting sort of some
9 subsidy for that to be able to recycle it, gave
10 California a great opportunity under great conditions,
11 exporting when commodities were at a high price.

12 And we sort of all thought that was the best
13 time and the best place and the best world. And it
14 was.

15 We were able to bring in material. We were
16 able to fund it through the consumer. And there is a
17 price to pay, and the consumer was willing to pay that
18 price.

19 Anything we do in recycling, though, we have
20 to remember that recycling itself is not in itself
21 profitable in the sense that when you recycle something
22 we have an end product.

23 If we don't have a market for that end
24 product, none of us here at this table is going to make
25 any business.

1 You can talk about recycling all you want, but
2 recycling, source separating -- you can go to the
3 haulers, you can go to the paper companies, you can go
4 to the e-scrap guys. What we do and would love to do
5 as much as we can, but we also need a market.

6 If there is no market -- 40 percent,
7 typically, of our market income comes from commodities.
8 When that market is either reduced or gone, the
9 material doesn't stop coming in. It keeps coming in.

10 And the way California's set up, people want
11 to keep getting paid for it. When you say to them,
12 there's no market -- but, but I want my 25 cents that
13 I'm supposed to only get 20 of.

14 Now I'm only supposed to get 16. How can you
15 tell me I can't get 25? How come I can't get 16? How
16 come I'm only getting 10 or 12 or whatever.

17 They believe that they are entitled because
18 we've set that standard up for people to believe that,
19 to recycle, California is reimbursing them, rebating
20 it, there's a profit for some reason, somehow, and it's
21 become a general revenue fund for a lot of these
22 people. It's not become a recycling fund.

23 Prior to any legislation, people got rid of
24 their material, and they paid for it. Like it or not,
25 they saw that as a need. They saw that as the right

1 thing to do, and they did it.

2 When you subsidize a program, there is an
3 inherent belief that somehow the government's paying
4 for this, and it's a free-for-all. And in a good time,
5 I guess it is. You know, there's money out there, you
6 can -- you know.

7 It also led California to do something that it
8 probably didn't want to hear, and probably doesn't want
9 to hear, and probably didn't like. But we saw the 60
10 Minutes story. Most of us in this room knew it before
11 it ever got on to 60 Minutes.

12 But we created an industry which -- in my --
13 what I do is what's called end of life. I've spent
14 money, as some of my fellow recyclers, lots of money to
15 build equipment, to hire people, to take everything
16 apart -- literally -- and sell that commodity.

17 There are others who jumped into that, saw the
18 opportunity, and shipped whole units overseas, having
19 none of those other costs associated to it, and were
20 able to pay a higher price.

21 We created that market, in a funny sense.
22 California perpetuated and helped that market exist.

23 Not something pretty, not something we want to
24 do, and something down the road this Board, this
25 Legislature, needs to address. There are a lot of

1 things that need to be addressed, and this may be the
2 perfect time to address it.

3 In addition to our market in the
4 commodities -- I'm not going to talk about how down the
5 commodities are because we all know how bad they are,
6 and we know how it's impacting each of us. It has a
7 trickle-down, obviously, effect.

8 Trickles down to us, hits us first. Hits
9 collectors who are coming to us, it hits the consumer.
10 It hits every one of these businesses sitting here
11 today. It's a global economic meltdown. It's perfect
12 storm in the last 90 days.

13 The Board decided to cut the rates by nine
14 cents. And you didn't cut it because you were being
15 mean. You cut it because there was just too much money
16 out there.

17 We don't -- recyclers were saying, collectors,
18 you know, these prices -- we're just getting all this
19 money back. This Board figured, well, that's good.
20 It's the public's money, we'll protect it. Which you
21 have. And so we're going to cut the rates. Couldn't
22 have been a more perfect storm.

23 90 days later, there isn't anybody out here
24 who isn't saying, we need to give you the ability to
25 revalue -- reevaluate that funding. Okay?

1 But in addition to that issue, at least we
2 were getting funded on CRTs which helps offset some of
3 that cost.

4 There was a directive to ban universal waste,
5 which everybody went through. We have still difficulty
6 figuring out what universal waste really is from the
7 DTSC, and so we've asked them to define that for us in
8 a greater sense, now more than ever.

9 Because there is a difference -- not much of a
10 difference -- but there is a difference between telling
11 us really what is toxic and what is landfill avoidance.
12 They are both good objectives, but we need to know what
13 we're talking about here and how we handle that
14 material and what it is.

15 And there is a cost to that. And as long as
16 the commodity market was up, we could look the other
17 way. You can ban anything you want, and as long as you
18 can sell it on a commodity -- and if we can -- you
19 know, basically we got held hostage by people saying
20 we're going to bring you our e-waste, and if you don't
21 take it, we're not going to bring you our CRTs.

22 And so we were charging for e-waste. Then we
23 ended up probably taking it for nothing, breaking even
24 with it, trying to -- losing on it, trying to sell it.

25 But in today's market, there is no

1 reimbursement for that. There is no commodity market
2 for that. And now, we're charging.

3 And if you want to hear people screaming -- I
4 mean, it has become 40 percent of our material. 35 to
5 40 percent of our material is e-waste. Okay. It's the
6 fastest-growing product.

7 And the more you ban, the more it's going to
8 be. Okay? And CRTs eventually are going to go down in
9 volume, and e-waste is going to go up.

10 In addition to CRTs, ask me about flat screens
11 because there is no market for flat screens. There is
12 no market for flat screens.

13 So you want to talk about a storage capacity?
14 And until there is a market -- and again, I've asked
15 DTSC in a nice way now: What would you like me to do
16 with these? Where would they go? What can I do with
17 them? What's in them? What are they?

18 So in a real sense, when we ask for economic
19 help and incentive, we may be asking you shortly for
20 economic incentive and thought on what are we going to
21 do with e-waste.

22 If you are going to ban it without a plan,
23 it's wrong. You need to know that we cannot rely on
24 markets outside of where we are at.

25 We need to know how we're going to collect

1 that and how we're going to offset that and what you
2 want us to do with that, and you need to help us to do
3 that.

4 When markets are good, great. When markets
5 don't -- and markets are never going to be, at least
6 not in my lifetime; I'm pretty old, so -- in my
7 lifetime, going to be like they were.

8 They are going to come back. We have been
9 through this over the years. But it's not going to
10 come back to that level, and we all have to readjust
11 our thinking and how we're going to do this.

12 We also have to rethink what that cost is.
13 And that cost isn't -- when we talk about those costs,
14 we're talking about the cost to the public. That is
15 public money.

16 Unfortunately, we are not the federal
17 government because if we were -- if you were the
18 federal government, we would be asking for a bailout.

19 (Laughter)

20 MR. KAZARIAN: We would all be here saying
21 there's a meltdown and, you know, we're in an industry,
22 and we all need a bailout, and we could build some kind
23 of funny car out of all the stuff we get.

24 (Laughter)

25 MR. KAZARIAN: But it's not going to happen.

1 So we are talking about, what are we asking
2 the taxpayers of the State of California, and what are
3 they willing to do, and how much do they want to do?

4 And so far, they've been great. And we have
5 been responsible. I think we can be more responsible
6 with what they offer us and what we can do for them.
7 And I think all of us do work hard to do that, and I
8 think we have to protect that interest.

9 Let me see here. I -- let me make sure I've
10 covered most of what I wrote down as I listened to all
11 these guys. They had some great ideas.

12 I think permitting and regulations is another
13 issue, different than e-waste, because everybody's
14 over-permitted. We are somewhat.

15 But we're probably under-permitted in a sense
16 that I believe that collectors and recyclers need to be
17 seriously permitted in a different, definitive kind of
18 system so that we know what happens to that material
19 and where it goes and how it goes.

20 You are giving -- and I have had this argument
21 for numerous sessions; this is probably not the place
22 to bring it up. But I believe that if you get the
23 badge, which unfortunately we get because we're
24 approved recyclers from the State of California.

25 It's the assumption of the public that when I

1 hand you my material, whether to an approved collector
2 or to an approved recycler, that that goes into a
3 process that is approved, demanufactured and safely
4 taken into an environment that will not cause damage or
5 harm to others, not only here in the United States, but
6 other places. That in fact is not true because the
7 definition and the badge only gives you the relative
8 ability to get into the payment system.

9 And that means that you can turn your material
10 in, after demanufacturing and doing all the right
11 things with it, and turn it into the system and get
12 paid.

13 But it says nothing about what you do with it
14 if you don't get paid from the State of California but
15 you can still claim you're an approved recycler, an
16 approved collector from the State of California.

17 And just on a personal basis, that just
18 irritates me to no end. Because I think, again, the
19 public gets deceived and misled -- unwittingly.

20 I don't think that's your -- I don't think
21 that was your intent, but it may be the intent of
22 this -- I don't think it's anybody's intent. I think
23 it's just a consequence of how the system was set up.
24 And I think we seriously have to address that, just on
25 an ethical and moral issue. That's just my personal

1 opinion.

2 I do think -- I have found, like many of
3 these, that we have contracts with municipalities.
4 They went out to RFP. Originally they didn't. They
5 just made -- we made deals with them, and then they saw
6 the revenue and, you know, they all -- competition.
7 They went out to RFPs.

8 They now have RFPs that are unrealistic.
9 They're based on a year ago or six months ago, and the
10 numbers don't pan out today.

11 And when you go back to them and say we need
12 to readjust these numbers, then they say oh, no, we
13 have a contractual agreement.

14 So I'm getting lot of calls from
15 municipalities that are saying, jeez, our recycler or
16 our collectors walked out. He's not going to do the
17 event.

18 And I'm saying understandably so.

19 So they're asking for new pricing. I can
20 understand that clearly because we have some of those
21 ourselves. And, you know, they are -- maybe our own
22 lack of understanding that in those contracts we put in
23 there if the State readjusts their numbers, we can
24 readjust our numbers.

25 We never anticipated this kind of difference.

1 And I'm sure the haulers and the city -- everybody's
2 facing the same kinds of things.

3 I would believe -- I do believe that
4 California itself has a great opportunity, in this
5 economic downturn, to look at itself to developing
6 markets within California.

7 You heard of the different paper mills that
8 have shut down. You've heard of the steel companies
9 that have shut down. We in California have been
10 progressive in every area that I can think of, but we
11 may have run manufacturers out of here.

12 We had this problem back in the '90s and --
13 way back when we were running people out of here. Air
14 quality management. There was the perception that
15 manufacturers were leaving. Paint companies were
16 leaving. They left.

17 We need to rebuild the state. We have the
18 opportunity to create jobs. We have the opportunity to
19 rethink our permitting requirements and the type of
20 business and jobs we want here for the people of the
21 State of California. It's not easy, sometimes, to
22 build those things or rethink those things when things
23 are going sky-high, and the prices are sky-high, and
24 the world is just expanding.

25 But in a downturn, you have to take a breath,

1 step back, and say, where did we go wrong?

2 And I think we need to look at ourselves in
3 California. We need to create jobs. We need to
4 rethink what kind of jobs we want for our people here
5 and what opportunities. We've always been in the
6 forefront. But I think we need to really, seriously
7 take that look at it.

8 And I think this Board has certainly the
9 opportunity to at least send that message. And you're
10 in an agency that has a lot of impact on regulations
11 and permitting, and I think they need to come to the
12 table as well.

13 And the next time we have these kinds of
14 hearings, I would like to see DTSC at the table because
15 I think a lot of our questions, as they go to you, they
16 also go to DTSC.

17 And I would like to have DTSC have this kind
18 of a hearing so that maybe we could talk to them and
19 get to know them a lot better. In fact, I think we'd
20 just like to get to know them.

21 (Laughter)

22 MR. KAZARIAN: So that would be really nice.

23 So really, in conclusion, that's about what I
24 have to say. I do believe that everything -- we know
25 the downmarket. We know where we're at.

1 What the Board can do is to relook at -- at
2 least for the scrap industry or for the waste -- the
3 electronic recyclers -- is what are we going to do with
4 this e-waste? I call it waste because e-scrap, I
5 understand in a good market. Today, it's e-scrap.

6 So, you know, we need to refocus, relook. We
7 need some help in that area, as well as we need some
8 help in thinking about what the payments ought to be
9 for this material. And that we have to help you get
10 some legislation to give you the ability to be able to
11 reassess that rather than over the two-year period.

12 CHAIRPERSON PETERSEN: Right. Thank you,
13 Dennis, very much.

14 Before we move on here -- and thank you,
15 everybody, for your presentations. We have a couple of
16 speaker slips here, but could I just see a show of
17 hands of those who might want to ask a question of the
18 panel members that are here? Show of hands? Okay.

19 Alex, could you fill out a speaker slip,
20 please, if you wouldn't mind. Okay. I think what I'd
21 like to do, if you don't mind, take a five-minute break
22 and then resume. Five minutes, please. Thank you.

23 (Recess)

24 CHAIRPERSON PETERSEN: Okay, we're going to
25 get started again, please, everybody. Thank you very

1 much. Okay.

2 We have a number of speaker requests here, and
3 I'd like to do that first and, again, thank the panel
4 because I'm glad you guys are here, and you're going to
5 be asked a lot of questions.

6 So with that, there is a representative, Jorge
7 Santiesteban, from the City of Los Angeles. Jorge?

8 MR. SANTIESTEBAN: Good morning. Board
9 Members, Mr. Chair. Jorge Santiesteban, Bureau
10 Sanitation, City of Los Angeles.

11 CHAIRPERSON PETERSEN: Good morning.

12 MR. SANTIESTEBAN: Good morning.

13 The City of LA appreciates the efforts that
14 your committee is having to address the current
15 commodity pricing crisis faced by all municipalities
16 and private solid waste management industry.

17 We have a number of items that we have
18 submitted in a letter to the Board, and to you, and
19 they -- I'm going to summarize it, but basically those
20 are the same items that you have heard from the panel.

21 And our ideas for your consideration would be
22 to provide emergency funds to local governments,
23 recycling programs, and subsidized recycling business
24 with grants and/or low-interest loans to reduce
25 financial impacts due to the reduction, loss of revenue

1 from recyclables.

2 Mandate via state and federal legislation the
3 use of post-consumer recycled materials to the maximum
4 extent feasible in the mix with virgin feedstock in
5 manufacturing products.

6 Enforce the Resource Conservation and Recovery
7 Act section 6002, that requires purchasing agencies for
8 federal, state and local governments that spend more
9 than \$10,000 a year on items to buy products containing
10 recovered material.

11 Propose or implement a state version of the
12 same act for in -- here in California for private
13 entities of a certain size doing business, and spending
14 more than \$10,000 a year on products that could contain
15 recoverable materials.

16 Work with neighboring states and federal
17 government to provide incentives to the markets for
18 recycled material at regional and national levels.

19 Impose a higher sales tax for consumer
20 products that do not contain specified minimum
21 percentage of recovered material.

22 And granting exemptions to be considered for
23 products that require 100 percent virgin materials to
24 ensure their safety and performance requirement.

25 Increase public education.

1 Provide incentives to consumers purchasing
2 products containing recoverable materials via
3 discounts, vouchers.

4 Alleviate the fluctuation of commodity prices
5 that heavily depend on the oversea demands by
6 developing more local markets that also have a higher
7 need for recovered material.

8 Promote the expansion of local recycling
9 markets to accommodate increased tonnage of recycled
10 material as a growing number of local governments plan
11 to surpass the AB 939 diversion goals.

12 And facilitate the construction of alternative
13 technology facilities that process municipal solid
14 waste to generate green energy and/or biofuels.

15 We have submitted the letter with these
16 points, and we appreciate your opportunity to present
17 these points.

18 CHAIRPERSON PETERSEN: Thank you, Jorge. And
19 would you -- and anybody else that's going to ask
20 questions today -- would you mind if we could get that
21 electronically so we can track all this along with all
22 the statements and suggestions that are made?

23 MR. SANTIESTEBAN: Absolutely. We will send
24 you that.

25 CHAIRPERSON PETERSEN: Thank you, Jorge.

1 Okay. Glenn Acosta, LA County Sanitation Districts.

2 MR. ACOSTA: Good morning, Mr. Chairman and
3 Committee Members. We really appreciate your
4 leadership in being very responsive to the situation.

5 And just like the private operators, our
6 agency which operates MRFs, transfer stations, and buy
7 back, recycle centers have been impacted the same way.

8 And, you know, we have a fiduciary duty to
9 balance operating costs with revenue and to make it a
10 sustainable recovery operation, so we have the same
11 interests in that regard.

12 And the situation is the same, so I'm not
13 going to go over the same points that the experts have
14 brought up.

15 But I will say that, you know, we seem to be
16 dependent on foreign infrastructure for processing our
17 recyclables; and really, California should have more
18 control over processing, have its own infrastructure.
19 So I would encourage whatever we can do to increase
20 that infrastructure.

21 And really, the other point I wanted to make
22 is we should take a fresh look again at alternative
23 technologies to expand our nondisposal infrastructure
24 because there are technologies out there that can take
25 advantage of the high energy content that plastics

1 have, for example, and that can produce green fuels to
2 lessen our use of fossil fuel and improve the carbon
3 footprint of California.

4 So there are opportunities out there for us to
5 take advantage of, and I think that's an area that we
6 really need take a look at.

7 And then lastly, just for local government, we
8 still have the mandate to meet diversion, and it would
9 be great to include some flexibility in that diversion
10 requirement for economic downturns like this, for that
11 to be a consideration in meeting your goals.

12 And I appreciate your time. And again, thank
13 you again for your extraordinary leadership on this.

14 Thank you.

15 CHAIRPERSON PETERSEN: Thank you, Glenn.
16 Louie Pellegrini from Peninsula Sanitary Services.

17 MR. PELLEGRINI: Good Morning. Thank you,
18 Mr. Chairman and Board members. Appreciate the
19 opportunity to convene this hearing today.

20 I'm a third-generation garbage man, operate in
21 the San Francisco Bay area, three different counties
22 servicing roughly 250,000 population, close to 60,000
23 single-family homes.

24 And this is a catastrophic event. What has
25 happened to us as of the first week in November, the

1 meltdown of the commodities market and how that's going
2 to affect our customers in front of every house, every
3 week, when we pick up the recycling material.

4 I'm one of the biggest proponents of taking it
5 to the next level. From the beginning of AB 939, we
6 stepped up, and we helped our cities get to the 60, 65
7 percent diversion under the old AB 939 calculation.

8 Our ratepayers paid for that. We've invested
9 millions and millions of dollars to get there. And now
10 we have a financial dilemma.

11 The markets will go up and down. The movement
12 of materials will come and go. But this is a financial
13 crisis. Tales of two cities next to each other, the
14 financial situation we're in, looking at force majeure.
15 A catastrophic event.

16 We have one out in the contract, that we can
17 refuse to pick up the material. Which means it will
18 end up in the landfill. Our cities will not be able to
19 make the AB 939 commitment if financially we cannot
20 weather this storm.

21 And the storm is now. Financial relief is
22 what we're looking for.

23 Ultimately, it falls back on the ratepayers,
24 the generators of the material. That is a very
25 difficult process in these hard economic times for the

1 local elected officials. There needs to be a bailout
2 at a higher level that helps support this decline in
3 the material until it comes back.

4 How we accomplish that, where that money comes
5 from -- just like product responsibilities, the money
6 has to come from somewhere. And potentially some
7 surcharge, some mechanism that money's available to
8 support these activities, to keep them alive.

9 Otherwise, we'll lose the trust of the people
10 that are recycling for us today. It'll go away and
11 you'll never get it back. This material will end up in
12 the landfills.

13 The landfill operators are saying bring it on.
14 That's extra windfall for them. We need to keep this
15 higher, better-value material out of the landfill.

16 The markets will take times to develop. It's
17 a financial restraint on the smaller independent
18 haulers right now, and that's where we really need the
19 help.

20 I look forward to future hearings to help
21 figure out a strategy to get that accomplished.

22 CHAIRPERSON PETERSEN: Great, Louie. Thank
23 you very much. Nan Drake.

24 MS. DRAKE: Good morning. I represent
25 Harrison Industries, which is celebrating their 76th

1 year in the trash business, and they have become a very
2 successful recycler up until this point; we haven't
3 taken anything to the landfill yet.

4 I guess I could ditto everything that Louie
5 said because it's very important. We have exclusive
6 contracts with seven cities. They trust us that we're
7 going to get the job done for them.

8 We are diligently trying, but we do need
9 flexibility at this time with this horrible economic
10 downturn. We're losing a half a million dollars a
11 month, and there's only so long we can go and sustain
12 this kind of pressure.

13 We certainly don't want to go back and try to
14 reeducate the thousands and thousands of people that we
15 have brought aboard that understand that recycling is
16 the right thing to do.

17 So we're looking to the Board, for you, for
18 the leadership to communicate with our cities. I can
19 call them and tell them that -- the bad things that are
20 happening. It's far more important that a letter goes
21 out -- you are the regulatory agency -- to all of the
22 cities explaining that you understand what is occurring
23 in this global marketplace and that you are working
24 with the contract cities, all of the haulers, and both
25 private and public sector.

1 The cities, who are their own haulers, are
2 probably in the same boat that we're in. So -- we also
3 run a recovery facility, so we understand that the
4 small businesses that come in are not understanding why
5 a month ago we paid them good money for cardboard, and
6 now we tell them sorry.

7 So it's just an awful mixed message that needs
8 to be unscrambled. I wish I could come up here and
9 give you a list of all the things that would fix it.
10 But I don't have it. But we would be certainly more
11 than willing to serve on any kind of a committee that
12 would move this forward.

13 With me in the audience today is George
14 Harrison, who operates our Gold Coast Recycling as a
15 general manager, and Jim Harrison, one of the three
16 owners of Harrison Industries.

17 So again, thank you for your time. Thank you
18 for doing this. The need is now for solutions. Thank
19 you.

20 CHAIRPERSON PETERSEN: Thank you, Nan. Good
21 suggestions.

22 Wayne -- I can't read the last -- Wayne, come
23 on up. Trewhitt. I'm sorry; I can't read. Welcome.

24 MR. TREWHITT: Thank you. Good morning,
25 Members of the Board, Mr. Chairman. My name is Wayne

1 Trewhitt. I am president and CEO of Nortech Waste,
2 LLC, which is located some 30 miles north of here,
3 handling the waste from the western portion of Placer
4 County.

5 We started building, or designing and building
6 a MRF for the authority some 15 years ago, and 13 years
7 ago it went into operation.

8 Today, the price charged for disposal is about
9 a dollar less than it was when we opened, and the
10 prices are still going down. We're facing the same
11 problem, of course, that everyone else has done.

12 I had a prepared presentation to give to you,
13 but it's basically redundant of everything that's been
14 said today. We're all in the same problem. I'm not so
15 sure that we can fix it right away, but I think we need
16 to look forward to the next downturn.

17 We have to encourage, any way we can,
18 state-wise, recycling-wise, to bring the infrastructure
19 back to the state, to handle the demand -- to create a
20 demand for the materials that were created by 939.

21 And then I think we need to go a step
22 further -- and it's been talked about here a little
23 this morning -- and take the organic material that's
24 left, and that which can't be sold sometimes, and turn
25 it into a fuel, a biofuel, be it ethanol, methanol,

1 what have you.

2 And the technology is there. There is a plant
3 that is permitted totally, full-scale, just out of
4 Reno. There's another one that will start construction
5 probably the second quarter of this year in Montana,
6 full-scale, that will gasify the organic material and
7 turn it into a fuel.

8 Basically that is really all I've got to say.
9 I have been in the business a long time. I've been in
10 the business some 40 years, I guess, in California,
11 Nevada, Arizona, Oregon, British Columbia, Alberta,
12 Mississippi, Louisiana, and successfully run a lot of
13 good businesses.

14 CHAIRPERSON PETERSEN: You've been around.

15 MR. TREWHITT: Yes.

16 I was also chairman of the National Solid
17 Waste Management Association a few years back too, so.

18 All I've got to say is we have to look
19 forward, we have to start developing the infrastructure
20 that will take the materials we produce and have
21 mandated that we produce.

22 I thank you very much.

23 CHAIRPERSON PETERSEN: Thank you, Wayne. I
24 happen to agree with you. Oh, Dennis. Two cents?

25 MR. KAZARIAN: Can I ask a question? Why

1 Montana and Reno and not California?

2 MR. TREWHITT: Oh, that's pretty easy to
3 understand.

4 (Laughter)

5 MR. KAZARIAN: I'd like to have it on record.

6 (Laughter)

7 MR. TREWHITT: Basically, I think there is a
8 want to put facilities here. We want to put a facility
9 here, right next to our recycling plant.

10 But I think the first one has to go someplace
11 else because of the permitting process. The permitting
12 process just out of Reno literally took six weeks.

13 CHAIRPERSON PETERSEN: Yeah. I understand.

14 MR. TREWHITT: Here, you'd be lucky to do it
15 in two years.

16 CHAIRPERSON PETERSEN: Right.

17 MR. TREWHITT: Lucky.

18 CHAIRPERSON PETERSEN: We need to change the
19 global scope of what we're doing. We're going through
20 melt -- not only a meltdown, but a shakedown in the
21 recycling industry.

22 We're the leadership. The recyclers -- it's a
23 54 percent recycling rate in the state of California.
24 We've got to change what we're doing to address the
25 other percentage we're not getting, and we've got to

1 reinforce the markets.

2 And part of this going to be a myriad of
3 technologies. I totally agree with you.

4 MR. TREWHITT: We've driven it all offshore.

5 CHAIRPERSON PETERSEN: Yeah. I understand.

6 MR. TREWHITT: And driven it to people who
7 really don't care what we think and really probably
8 don't like us.

9 CHAIRPERSON PETERSEN: Yeah. A lot of people
10 don't like us over there. I know. Thank you very
11 much, Wayne.

12 Mark Rappaport. Where are you? There. Come
13 on up.

14 MR. RAPPAPORT: Thank you, Mr. Chairman.
15 Members of the Board. Mark Rappaport, independent
16 consultant, old time Tuolumne County employee.

17 I've been doing this for about 15 years and
18 currently now have the privilege to work with Heidi
19 Sanborn at the California Product Stewardship Council,
20 as well as Bill Sheehan with the Product Policy
21 Institute.

22 It is great to see that you take the
23 leadership, as usual, in these areas. This is a --
24 definitely a big hairball.

25 Heidi and I spoke last night. She had an

1 opportunity to be interviewed with Bill Sheehan for
2 Marketplace on National Public Radio, and the topic was
3 the tanking recycling markets. So that's going to be
4 on Marketplace on NPR. I was hoping to be able to give
5 you a time for that but I can't.

6 During the course of that interview, she was
7 asked by -- I think it's Sam, Sam Eaton, who is the
8 host for the program. What's the value of the
9 recycling markets in this country?

10 And so she shot off an e-mail, and she got a
11 response from John Skinner, the CEO and Executive
12 Director of SWANA; so this was third-hand, so please
13 take it in that manner in regard to the numbers.

14 But solid waste management in this country is
15 estimated at about \$45 billion. The international
16 solid waste management market is estimated at about
17 \$125 billion. That doesn't include downstream
18 recycling. So the estimate for international recycling
19 was between \$2- and \$400 billion.

20 So it's obviously a significant global
21 problem. I am privileged to participate in monthly
22 calls with Bill Sheehan and the Product Policy
23 Institute who is the Johnny Appleseed of extended
24 producer responsibility.

25 And we have calls every month with people from

1 all over the -- north America that are working on
2 product stewardship and extended producer
3 responsibility.

4 Comments were made at the last conference call
5 from government people in Texas, Ontario, and Oregon
6 about their concern about this issue. So you're not
7 alone. Obviously, everyone will be consulting and
8 talking about this in that regard.

9 I would be remiss if, when given this
10 opportunity, if I didn't say as a proponent of extended
11 producer responsibility and product stewardship and
12 your leadership in the framework, that as we consider
13 and move forward legislation for framework in
14 California this session, and in discussions for any
15 solution that comes up with this, that we keep in mind
16 the responsibility of the manufacturers, the producers,
17 in the -- any of the solutions that are discussed.

18 Thank you for the opportunity.

19 CHAIRPERSON PETERSEN: Thank you very much.
20 Good suggestions. Patty Moore.

21 MS. MOORE: Good morning. Thank you for the
22 opportunity to speak. I'm really pleased to be here
23 again.

24 I am Patty Moore, the Executive Director of
25 the Plastic Recycling Corporation of California. That

1 is a statewide trade association for the beverage
2 industry with PET. And I also have considerable
3 expertise on other post-consumer plastics, if anybody
4 wants to talk to me about that as well.

5 I have been in the industry for over 25 years
6 and have seen a lot of cycles. Truly, this one is more
7 steep than any; but it's not as deep as some that we've
8 seen in the past. I think it's the steepness of the
9 drop that has everyone so freaked out. Rightly so, I
10 might add.

11 I wanted to assure you that the PET markets,
12 through the activities of the Plastic Recycling
13 Corporation of California and our long-term thinking on
14 markets, are probably some of the most stable of any of
15 the materials right now.

16 And that's because the beverage industry, in
17 their wisdom, has put out a lot of money and a lot of
18 effort to make sure that that happened. And they have
19 done that within the framework of the beverage deposit
20 law.

21 I've been in China twice this year, once in
22 August and once in November. Basically, what we're
23 facing is global overexuberance, as a former federal
24 chairman would say.

25 And what I found when I was there in August is

1 that the -- despite the downturn in purchasing, despite
2 the global downturn in request for end products, there
3 was no slowdown in either purchasing raw materials or
4 production; and as a result, enormous inventory of
5 material was accumulated.

6 Then we had the Olympics, and they were --
7 while not a cause, they were in my opinion a catalyst.
8 The Olympics created a stoppage of work pretty much
9 throughout the country, primarily in Beijing, but
10 really pretty much throughout.

11 And then when they were over and everybody was
12 ready to go back to normal, what we saw was the banking
13 crisis hit, and nobody could get any credit.

14 Along with that was this fall is the time of
15 year when traditionally the US and European buyers go
16 to China and make their orders for spring. No one
17 showed up, essentially; and the Chinese manufacturers
18 were rather in a tizzy when I was there, as you might
19 imagine.

20 This was in late August, and things have
21 really just gotten worse since then.

22 What I want to do is when I found out there
23 was going to be a panel on the markets, I asked who was
24 going to be on the panel. And when I was told, I said,
25 you don't have any markets on the panel. You have

1 collectors.

2 And they're probably going to put out a
3 contract and shoot me for this, but basically, I think
4 one of the things I did not hear from anybody here was
5 any personal responsibility or responsibility for the
6 role that they had in what went on here.

7 What happened was that the Chinese were -- and
8 it's not really their fault; I'm not blaming them --
9 but what happened is that the Chinese came here like
10 gangbusters and said, give us your material. We'll pay
11 you.

12 The domestic markets couldn't compete. And it
13 wasn't just pricing that they couldn't compete with.
14 It was the issue of quality.

15 The quality of recyclables coming out of the
16 MRFs in California has been dropping for years, and I
17 think you've probably heard buyers come to you and tell
18 you that for the last few years.

19 And unfortunately, because the markets have
20 been so robust, I think that's fallen on deaf ears. I
21 thought it was rather ironic that I heard a -- I saw a
22 bullet point, and I think it was Waste Management, that
23 said that we needed quality incentives.

24 Because I went -- when we had a chance for a
25 QIPP program at the DOC, Quality Incentive Program for

1 Plastic, and I suggested that we reward facilities that
2 were actually doing the right thing, I was basically
3 told to butt out and that they knew what they were
4 doing and leave us alone. Apparently not.

5 There is a problem because we do not have any
6 feedback on quality. It goes away; you hear nothing.
7 Now, suddenly, we're getting lots of claims -- what a
8 surprise -- because there is no money in this.

9 So it's my opinion that it is government's job
10 to make the right thing the least expensive thing. And
11 we have obviously pointed out that we have this
12 push-through system that is not working.

13 There is no feedback loop. Manufacturers have
14 no control on what ends up being produced, and there's
15 no feedback loop on that.

16 And it is my fear -- and I've heard it already
17 today, right -- that what we're going to try to do is
18 dump this problem on businesses and thus consumers at a
19 time when they can least afford it.

20 I realize that we have some short-term serious
21 things to think about. And I, you know, would
22 encourage you to listen to this because we can't have
23 this system collapse. But in those short-term things,
24 please do not make long-term decisions based on a
25 short-term problem.

1 What we have here -- and I'm actually really
2 optimistic at this point; I'm probably one of the only
3 ones in the room -- because I finally see the
4 opportunity to make some dramatic changes in the way we
5 do things.

6 We are so low at this point that everybody is
7 open to new ways of thinking, including my clients, the
8 beverage and plastic industries. They would like the
9 see a better way of things.

10 They don't want to be told put content in your
11 bottles -- and then they have absolutely no control
12 over what happens by the time they manufacture that and
13 then they end up having to buy back something at a
14 price that is absurd.

15 If you are going create a system that is going
16 to work, you need to have -- and I think the
17 manufacturers' responsibility stuff is good, but it has
18 to be not just dumped on them at the end. It needs to
19 be a loop where there is a feedback system and where
20 the right thing to do is the cheapest thing to do.

21 So I would encourage you to think big. I
22 don't know necessarily that the Waste Board is the
23 place that that's going to happen because you have an
24 infrastructure that may not allow that. Maybe it will,
25 with some serious creativity.

1 But it's going to mean scrapping the way we
2 have been thinking. It's going to mean scrapping a lot
3 of existing programs that are out there now. We have
4 to look at a system that's not punitive, because that's
5 the way we've been -- the way we've been going down the
6 road has been a punitive pick-off system.

7 All right, let's get the carpet guys. Now
8 let's get the battery guys.

9 CHAIRPERSON PETERSEN: That's right.

10 MS. MOORE: Now let's get the guys who make
11 the light bulbs.

12 CHAIRPERSON PETERSEN: Right.

13 MS. MOORE: That's not going to work.

14 CHAIRPERSON PETERSEN: That's right.

15 MS. MOORE: And we need to think bigger.

16 But if you're going to create a system, please
17 make it one that the industry itself has the
18 responsibility for and not one that -- you can create
19 the framework, and that's your job is to create the
20 framework. But don't tell them how to do it. Let them
21 figure that out.

22 CHAIRPERSON PETERSEN: Right.

23 MS. MOORE: And give them the framework where
24 are there's a pay-in system that can be -- so that --
25 one of the problems that's happened recently is that

1 manufacturers who are doing the right thing are having
2 higher costs than manufacturers who are not doing the
3 right thing.

4 So it has to be something that is equally in
5 balance.

6 CHAIRPERSON PETERSEN: Exactly.

7 COMMITTEE MEMBER BROWN: Which is exactly EPR.

8 CHAIRPERSON PETERSEN: That's exactly where
9 we're going.

10 COMMITTEE MEMBER BROWN: The industry decides
11 the method, they control the method, there's no
12 government intervention in our framework. There's just
13 oversight.

14 CHAIRPERSON PETERSEN: That's leveling the
15 playing field.

16 COMMITTEE MEMBER BROWN: And it does level the
17 playing field, and I appreciate your comments.

18 I do have a quick question. Do you mind.

19 CHAIRPERSON PETERSEN: No.

20 COMMITTEE MEMBER BROWN: You had mentioned at
21 the beginning of your comments about the beverage
22 industry investing in the solution early on.

23 MS. MOORE: Right.

24 COMMITTEE MEMBER BROWN: Where are your
25 markets? Are they domestic, or are you creating and

1 washing the flake and sending it overseas, and do you
2 still have those same markets?

3 Because I've seen a lot of the funded
4 programs, and it is high-quality. But I'm just still
5 curious as to where that material is going. Have they
6 invested here in the United States?

7 MS. MOORE: Yes. And it hasn't been -- in
8 some cases, it's a direct investment, and in other
9 cases it's indirect through supply contracts that the
10 PRCC has.

11 For example, we now have a reclaimer in
12 California, Global PET --

13 COMMITTEE MEMBER BROWN: I've been there.

14 MS. MOORE: -- that takes empty bottles.
15 Right.

16 We aren't there yet. We face the same problem
17 that everybody else faced, which is China is paying way
18 more.

19 Quality, you know. I can't buy from these
20 guys at a price that's lower than China's going to pay.
21 And though we try nicely to go back and say, look you
22 guys, that's -- when we do sell to domestic buyers, the
23 quality really stunk, they're going to tell us, well,
24 we'll just sell it to China. They don't care.

25 So it's been a very difficult process to make

1 happen. And despite that, we have had some success.

2 I'm feeling confident that the PET bottle is
3 going to be one of the materials that continues to
4 shine.

5 But that doesn't mean we're done, and I really
6 encourage some really big thinking and to get off this
7 punitive pick-off approach.

8 COMMITTEE MEMBER BROWN: Well, I agree.

9 And I've been to Global PET, and it is a great
10 operation, and he has diversified his business not to
11 go solely into one area.

12 And we are an investor at Global PET, as is
13 DOC. So we have a stake in that business as well.

14 But my question is: You also mentioned that
15 the bottling industry is not interested in requirements
16 for minimum content. And that's what I have heard from
17 a lot of the flake people around is that that's what's
18 going to drive the markets.

19 And this is certainly a market-oriented
20 opportunity that we have now because where we've seen
21 the most success is in market-oriented solutions and,
22 you know, some of the minimum content laws have been a
23 great success; some have been a colossal failure.

24 But that's what we continue to hear from even
25 PET washers and processors is that they want the

1 minimum content to be able to bring that material to
2 the marketplace because there is a ton of washing and
3 there's no market for it.

4 MS. MOORE: Well, that's not the case at all.
5 There is not a ton of washing and no market for it.

6 COMMITTEE MEMBER BROWN: Well, that's what
7 we've heard --

8 MS. MOORE: Well, then --

9 COMMITTEE MEMBER BROWN: -- from some of those
10 processors.

11 MS. MOORE: And I'm sure if I had a
12 reclamation facility, I'd probably tell you the same
13 thing.

14 COMMITTEE MEMBER BROWN: I didn't go to a
15 reclamation facility. I went to some of the funded
16 facilities from these grants.

17 MS. MOORE: Right, that's what I mean. By
18 reclamation facility, I mean they take in the bales,
19 they convert them into clean, raw material, and then
20 they look for a market. That's what I term a
21 reclamation facility.

22 COMMITTEE MEMBER BROWN: So Global PET, you
23 consider --

24 MS. MOORE: Absolutely, yeah. And there are
25 many of them.

1 But the -- if you -- the 2007 recycling rate
2 report came out for PET bottles just recently. It was,
3 I believe, last week. And -- last Wednesday.

4 And if you read carefully, you will see that
5 for the first time ever, China bought more material
6 than the US reclaimers bought. So there is not more
7 wash capacity.

8 What we have to do is create an environment
9 where using content is -- makes sense and is the
10 least-cost thing to do. Not something where, again,
11 punitive, where thou shalt use it.

12 And there are examples of this that we can
13 look at. I think an ADF was mentioned. There are
14 certainly places we can look at for guidance on things
15 they've done. France, Ontario, Canada, other places.

16 CHAIRPERSON PETERSEN: Right. And we're
17 headed that way with the framework we're working on
18 right now.

19 Patty, I want to thank you very much.

20 COMMITTEE MEMBER BROWN: Thank you very much.
21 We appreciate this.

22 CHAIRPERSON PETERSEN: Alex Helou, please?
23 Good morning Alex -- afternoon.

24 MR. HELOU: Well, yeah. Officially afternoon.
25 Good afternoon, honorable members. Alex Helou, City of

1 Los Angeles Bureau of Sanitation.

2 I had just a quick question for the panel, but
3 since I am here, I will be glad to share with you that
4 we in the City of Los Angeles, we generate 261,000 tons
5 a year of recycled material, and our goal is really to
6 become a zero waste city.

7 We have started this process what's called the
8 solid waste integrated resources plan a year ago where
9 we had stakeholders, residents from all over the city,
10 as well as business. And one of the issue that came
11 up, was a big concern to all the business in the city,
12 is that our reliance on foreign markets for this
13 product.

14 So we've been trying to address this issue, so
15 I'm really grateful that you have called for this
16 hearing.

17 My question to the panel is: Earlier this
18 summer, the projection was for the Chinese economy to
19 grow by ten percent. As of just like couple weeks ago,
20 the projection has been revised from 10 percent growth
21 in the Chinese market to only about 7 to 8 percent.

22 So the thing is, what will happen to the
23 business in California -- the MRFs and your business
24 maybe in particular -- if the Chinese economy goes into
25 a recession?

1 CHAIRPERSON PETERSEN: Who wants to take that
2 one? Who was in China last?

3 COMMITTEE MEMBER BROWN: Patty.

4 CHAIRPERSON PETERSEN: Patty. Jason.

5 MR. YOUNG: I'll answer it. That's fine.

6 You know, what's going to happen is less
7 material will be generated. The cycle of recovery --
8 what happens is when less paper is produced worldwide,
9 less is recovered, and the cycle that we're seeing is
10 so severe right now because it was such a hard fall
11 economically.

12 And so what we have is we have a hard fall in
13 our commodity prices. And whether they were elevated
14 or they had paper mills or -- I mean, whether they had
15 too much inventory, those are all things that may have
16 happened.

17 But when you look at what's going to happen,
18 if there is 100 million tons of paper produced in the
19 United States and we recover 50 million of it. Well,
20 if we only produce 95 million tons we're only going to
21 recover 47 and a half million.

22 So -- but the problem is for 60 or 90 days we
23 still recover based on the 100 million, and they only
24 manufacture based on the 97 million.

25 So that's why you have these wild swings; and

1 when you have a huge economic drop like that, it causes
2 severe impacts like we've never seen before.

3 CHAIRPERSON PETERSEN: Right.

4 MR. HELOU: Okay. Well, thank you. And
5 hopefully we can do a follow-up to this one with some
6 action items, including extended producer
7 responsibility.

8 CHAIRPERSON PETERSEN: We have a plan.

9 MR. HELOU: Thank you.

10 CHAIRPERSON PETERSEN: I got a plan.

11 MR. HELOU: Perfect.

12 CHAIRPERSON PETERSEN: No band, but we've got
13 a plan. Okay, Dennis? Richard Valle.

14 MR. VALLE: Thank you, Mr. Chair. Richard
15 Valle, president of Tri-CED recycling. We are
16 California's largest nonprofit recycling operation.

17 We bring a little bit different perspective.
18 We run thousands of kids through our recycling center,
19 educating them, talking about reuse, reduce, rethink
20 and rot. Those are important message that we have done
21 since 1980.

22 And we saw the struggle we went through to get
23 AB 2020 passed. We fought the bottling industry. We
24 fought the beverage companies. And AB 2020 created the
25 DOC, if you recall.

1 CHAIRPERSON PETERSEN: Yes, I do.

2 MR. VALLE: They need to be a part of this
3 conversation.

4 I also wear a hat as city council member of
5 the City of Union City. At our last council meeting,
6 we approved the development of a 300,000 square foot
7 warehouse for Southern Wine & Spirits, and they're
8 going to build that within two years.

9 Their industry is flourishing. They are not
10 covered under AB 2020. Hard alcohol, the wine industry
11 is totally exempt from that bill, and there is really,
12 really no reason for it.

13 In our minds, things that we are teaching kids
14 at our recycling center include wellness program, good
15 eating habits, good living habits.

16 Tobacco is a serious problem in our country,
17 and we have made the tobacco industry pay that price.
18 Alcohol is a serious problem in our country, and we
19 talk to kids about that kind of lifestyle and what it
20 leads to.

21 That needs to -- that discussion needs to
22 continue. So that's a different perspective, but I
23 believe it's a viable solution with regard to beverage
24 containers.

25 With regard to fiber and so forth, our company

1 has been in business for almost 30 years and we have
2 the same issues that the people here do.

3 But we live in Alameda County where we have
4 Measure D, and it's a \$12 fee for programs to educate
5 the community and to do market development in Alameda
6 County. That surcharge is at the landfill, and that
7 money comes back through the Waste Authority in Alameda
8 County to create programs for our county.

9 It's not unforeseeable that this Board could
10 work toward doing an advance disposal fee or a tipping
11 fee at landfills that could do some market procurement,
12 market development, or could look at doing some kind of
13 relief for these kinds of programs so that we have in
14 perpetuity ongoing revenue for people who are asked to
15 do the collection but who are not compensated when we
16 bid on franchise agreements for processing.

17 For all intents and purposes, we are
18 prohibited from asking for processing fees when we bid
19 on collection contracts despite the fact that we are a
20 union contractor, and we pay very good wages.

21 Thank you very much.

22 CHAIRPERSON PETERSEN: Interesting. Thank
23 you. Thank you very much, Richard.

24 And our last speaker, Chuck Tobin. Afternoon,
25 Chuck. Again.

1 MR. TOBIN: I am Chuck Tobin. Somebody had to
2 be last, I guess.

3 CHAIRPERSON PETERSEN: You look good. It's
4 fine.

5 (Laughter)

6 MR. TOBIN: Thank you.

7 Yes, some of you know CRRC recently changed
8 its name from the California Refuse Removal Council to
9 the California Refuse Recycling Council. Well, some of
10 us might think about going back.

11 (Laughter)

12 MR. TOBIN: Just a couple very quick things.

13 One, like Mr. Eowan, some of us with our gray
14 hairs have been in this for the last 20 years or so.

15 The volume of materials that we handle today
16 as opposed to five years ago, ten years ago, 15 years
17 ago, just think about that volume. It's not the price.
18 It's the volume that we're talking about. Okay?

19 From that, then, let's think about left hand,
20 right hand. We're in markets here. But another part
21 of your charge is what you refer to as the other
22 50 percent.

23 That other 50 percent is by and large fiber,
24 and it's sitting by and large in the commercial domain.
25 So in the last 15 years, as the Waste Management

1 gentleman pointed out, with respect to residential
2 single stream, we have developed a whole
3 infrastructure, you know, and to address that issue.

4 On a parallel path, we have been looking at
5 how to process commercial, and we have done a lot of
6 experimentation.

7 But that processing is, just like Mr. Young
8 points out, a big box with a very expensive machine
9 inside to do that. All right?

10 Now we know the Board has an interest in going
11 to -- whether it's characterized as mandatory
12 commercial or whatever -- the point is to dig deeper
13 into this other arena.

14 However, in those 15 years, the capital cost
15 to build that machine has gone up almost exponentially.
16 What we could do for \$5 million 15 years ago, we
17 recently priced a project at \$20 million.

18 CHAIRPERSON PETERSEN: That's right.

19 MR. TOBIN: I don't know if Gil, is here but
20 they're the last large one that got built. And I hate
21 to think of what their P&L is like over these last
22 couple of months. Because now they're with a big
23 capital investment, all right?

24 Now, we've heard about the deindustrialization
25 of the State of California. And the paper industry is

1 one. Forest products -- there is unfortunately all
2 sorts of examples of the deindustrialization of the
3 State of California.

4 It might be nice to think that we can rebuild
5 that industrial structure, but ain't going to happen.
6 All right?

7 It was only maybe coincidence or good fortune
8 or whatever that while we were deindustrializing the
9 rest of the world is industrializing. They're going
10 through that growth curve.

11 And the Chinese were clearly the most
12 successful at that industrial strategy. But now, they
13 have hit a wall too. And the question is both where
14 will they go next because where they go we go next.

15 You can't go to commercial without the paper
16 plants. I mean it's a pretty simple one plus one. Or
17 you can make a turn.

18 The other half of what my comments are about
19 is really about Byron Sher. The underlying tenet for
20 AB 939, the whole philosophy, was like to like: Paper
21 to paper, glass to glass, plastic to plastic.

22 And that has been defended as a principle for
23 the last 20 years. CT breaks that mold. And that's in
24 part what is so potentially threatening about CT,
25 because it's not like to like. It's like to something

1 else.

2 Now, we don't know if CT is a pathway any more
3 than building new paper plants is a pathway because CT
4 suffers from some of the same problems that a paper
5 plant does.

6 It is an undesirable, usually, with whatever
7 context it finds itself. It's very capital intensive.
8 It requires long-term commitments, I mean the same sort
9 of thing if you were trying to build a paper plant.
10 You're going to face all the same obstacles.

11 So I'm not here to pour a lot of water all
12 over this topic, but to recognize that if we want to
13 take that second -- that step into that second fifty
14 percent, we absolutely have to be prepared to have
15 those answers to these issues.

16 You saw in George's comments some of these --
17 the idea of getting into a dialogue with the Chinese,
18 or with that industrial world that sits outside of our
19 borders, and to try to determine whether or not can
20 they be a good partner in this on a long-term basis?

21 I mean, that's a significant question.
22 Because if that's the industrial base that we're going
23 to rely on for the further expansion of what we're
24 proposing to do here, we have to have confidence in
25 that partnership for us to go ahead -- and "us" is the

1 processors -- to invest in the big box and that
2 expensive machine to be able to do those next set of
3 activities.

4 CHAIRPERSON PETERSEN: Great.

5 MR. TOBIN: Thank you.

6 CHAIRPERSON PETERSEN: Thank you, Chuck. Well
7 said. Okay.

8 What I'd like to do now -- first of all, thank
9 you, everybody, for your comments. There is a lot of
10 information that's been passed our way.

11 And what I'd like to do now ask if any of the
12 members have any questions of the panelists?

13 COMMITTEE MEMBER BROWN: I don't have any
14 questions. But I do want to thank you all very much
15 for being here. And especially for putting some
16 thought to some recommendations and options for us to
17 move forward with.

18 You know, the centrality of the mandate of 939
19 and its efforts has been a healthy one to get us to
20 move to recycling and more material recovery.

21 It was an alternative at the time to more
22 prescriptive command and control methods of dealing
23 with things. But our reliance on diversion and markets
24 in China, and exclusively China, may have been
25 something that we can take this opportunity and maybe

1 was not quite as prudent.

2 The solutions, though, to this market crisis
3 in part are the market-oriented actions that we take
4 from now into the future and what we can do to help
5 reduce our reliance on China markets here in California
6 by helping develop markets here and regionally and
7 looking at all of our options from expanding RMDZ,
8 looking at permitting -- I mean I think that some of
9 the solutions or recommendations that you made have
10 been excellent.

11 I don't know, Dennis, if I can introduce you
12 to any people at DTSC. I'd be happy to do that.

13 CHAIRPERSON PETERSEN: He already knows them.
14 He's already there.

15 COMMITTEE MEMBER BROWN: He doesn't want to
16 know the ones that he knows. He wants to know the ones
17 I know.

18 CHAIRPERSON PETERSEN: That's a good idea.

19 (Laughter)

20 COMMITTEE MEMBER BROWN: But you know,
21 regional markets, capacity for processing, and
22 solutions to these things are what we need to look at.

23 I appreciate audience participation, and right
24 now the first course of action has to be to address the
25 storage issue. And it's very, very unfortunate that we

1 have gone from zero waste to what now we must look at
2 which is zero storage.

3 So we have to effectively meld the pressing
4 public safety -- health and safety issues with an
5 initiative we can take to expand our market and reach
6 and protect the precious recycling infrastructure that
7 939 built in the state.

8 We certainly can't go back.

9 And we need to maintain that infrastructure,
10 do what we can to help cities and counties, and
11 especially the infrastructure to make sure that we can
12 come out stronger from this global economic crisis.

13 I mean, I think everybody is feeling it from
14 the financial arena, which is hurting credit and
15 purchasing, to building projects, to -- I mean, it's
16 hitting everybody just as hard.

17 And I think that the fragility of this
18 industry is hurting much more than some of the larger
19 ones, and I think we cannot go back.

20 And so we're poised, and I know we're ready to
21 start looking at what our options are to help this
22 industry and to help actually create a vision for the
23 future.

24 Can we look at green technology and green
25 jobs? And where can we position ourselves and help

1 build that regionally, or build the markets here, or
2 work collaboratively with our foreign markets, but
3 probably be less reliant on one market.

4 So anyway, thank you all very, very much for
5 being here.

6 CHAIRPERSON PETERSEN: Rosalie.

7 BOARD MEMBER MULE: Thank you, Chair Petersen.

8 I too want to thank the panel for being here
9 today. Some of you, I have worked with you for as long
10 as I've been in this industry for 20 years -- Jim.

11 So we've witnessed the ups and downs and the
12 cycles in the markets. We understand that they're out
13 there, and they exist, and they're going to continue.

14 The fact of the matter is, though -- and I
15 said this at a meeting last month -- is that the
16 difference between the last downturn and this one was
17 that it was so drastic and it was so sudden. It caught
18 all of us off-guard.

19 But Patty, you're not the only one that sees
20 the positive in this. I also stated that I really,
21 truly see some opportunity here for us to -- it's the
22 wake-up call that George had mentioned.

23 It's really an opportunity for us to say all
24 right, we need to diversify ourselves in our market
25 development efforts. And I think that we've received a

1 number of great suggestions today on how to do that.

2 From the Western Climate Initiative, working
3 cooperatively with them -- I think that's a fabulous
4 idea Because we can tie in AB 32, our climate change
5 requirements, in that and also look at weaning
6 ourselves off of foreign oil.

7 So there is just so much opportunity out there
8 that I see as a result of all of this.

9 The challenge is going to be the Board is not
10 the only agency involved in all of this. I mean yes,
11 we have direct regulatory oversight over many of your
12 operations, but it's truly going to take that
13 cooperative effort with our sister agencies at the
14 state level, federal level, and also at the local level
15 as well.

16 So again, I just to want thank everyone for
17 being here today. I really appreciate all the
18 participation on the part of our panel as well as our
19 speakers here today.

20 Again, I think we came up with a number of
21 good ideas for our staff to follow up with. We have
22 been talking about permit streamlining from the organic
23 summit, so some of these ideas are not new.

24 But again, it just reinforces the fact that we
25 need to look at these and start prioritizing our work

1 accordingly and, again, working closely with our sister
2 agencies here at the State.

3 Thank you.

4 CHAIRPERSON PETERSEN: Thank you, Rosalie.

5 Mark, we've got a huge amount of information
6 here and some terrific ideas about what we are going to
7 need to do.

8 And we're going to -- probably this will
9 stimulate some more thoughts, especially with you guys
10 who are the experts. I love listening to this because
11 it gives you the guidelines, okay, here's what we got
12 to do, here's where we got to go. We're not just
13 stopping here, though.

14 Mark, how are we going to cumulatively put
15 this together?

16 EXECUTIVE DIRECTOR LEARY: Well, let me --
17 Gary, thanks for asking, and let me offer some
18 suggestions.

19 But before I do, I would like to encourage
20 people, before they depart, if you would like to be --
21 remain in the loop on this conversation -- and the
22 conversation clearly will continue here at the Board --
23 please leave a card on the back table or here at the
24 front dais or someplace so we know how to reach you and
25 encourage you to continue to participate with our staff

1 as we move forward on some of this thing.

2 I think this is the great start to a Listserv
3 that we can keep the conversation alive with.

4 But what we'd like to do for you Members is
5 compile the list of all the great ideas we received
6 today and discuss those and summarize those for you at
7 Tuesday's Board meeting. I think we can produce that,
8 at least preliminarily, by Tuesday.

9 And then also offer at that time some notion
10 as to how we might go about moving forward on some of
11 these ideas, what we think is within our realm, within
12 our purview to deal with, what may require larger
13 resources than simply are available here at the
14 Integrated Waste Management Board to deal with. But at
15 least offer some preliminary notion.

16 Then maybe even as soon as next Tuesday, but
17 certainly by the January markets, offer some schedule
18 for moving aggressively in some of these areas that are
19 within our purview and are within our control.

20 I think we'll need, as the Member suggests,
21 we'll need all of your help. And I'd like to offer my
22 own thanks on the behalf of the staff to the panelists
23 because, as Dennis suggested, you have done a lot of
24 our work for us, and that's the kind of quality input
25 we need to effect decision-making and help the Board in

1 their policy-making.

2 So I really appreciate it, and I appreciate
3 the input from the folks who stepped to the mic to
4 speak also.

5 But one, I ask for your continued involvement,
6 drop off a card, listen in on Tuesday. You can make
7 your own choice about whether you want to come back on
8 Tuesday, but certainly listen in on Tuesday. See if we
9 get it right.

10 We will share our compilation with the panel
11 members to make sure that we did get it right, either
12 between now and Tuesday or as part of Tuesday's
13 discussion, and then come back in January with some
14 ideas for priorities, schedules.

15 And as we talked during the break, this not
16 only speaks to the crisis, but this whole issue speaks
17 to the Board's 20 years of trying to do market
18 development, and we've gotten some even more helpful
19 ideas to move forward.

20 CHAIRPERSON PETERSEN: Great. Thank you,
21 Mark.

22 EXECUTIVE DIRECTOR LEARY: Thank you.

23 CHAIRPERSON PETERSEN: Okay. So I just want
24 to say a couple of things and be real quick.

25 This is not -- this is the beginning of where

1 we are going. The next panel we want to host is -- and
2 it was suggested earlier by Patty -- is we're looking
3 to see what the end users -- the mills, what are they
4 doing?

5 And we're going to ask them to come here and
6 talk to us about what's going on. And it's not just
7 talking about what's happening here in the US because
8 it's a world economy here. But we need to deal with
9 both here what's going on overseas.

10 Then the next panel after that is, who are the
11 packaging industry, the people who make products out of
12 what -- we make a liner board -- whatever. Who is
13 making that? Is it McDonald's? Is it Wal-Mart? Who
14 else?

15 And this gets us back to EPR again.

16 I want to fix this. And us recyclers are good
17 at fixing things, right? Okay.

18 So that's where I think we're going with this.
19 And you guys, experts, thank you. You're awesome. And
20 I really appreciate it.

21 A round of applause for you to come in today.

22 (Applause)

23 CHAIRPERSON PETERSEN: And I'd like to thank
24 all of you who came and the comments, and now we're
25 going to break -- commercial break for lunch, for 30

1 minutes, and then we'll come back and finish the
2 committee. Thank you all very much.

3 (Lunch recess)

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1 AFTERNOON SESSION

2 --o0o--

3 CHAIRPERSON PETERSEN: Good afternoon. We're
4 going to resume today's committee meeting. Okay.
5 We're all set to go? Could you call the roll, please?

6 BOARD SECRETARY GARNER: Brown.

7 COMMITTEE MEMBER BROWN: Here.

8 BOARD SECRETARY GARNER: Petersen.

9 CHAIRPERSON PETERSEN: Here. Okay. Agenda
10 Item 11, Howard. Jon. Somebody. Jordan. Jump in
11 here.

12 ASSISTANT DIRECTOR MYERS: I'll start us off
13 here. You went really quick here. Where are we.
14 Afternoon. Chair Petersen. Committee Member.

15 Jon Myers, Office of Public Affairs. Before I
16 introduce Jordan Scott, you know, with the two of you,
17 you have a pretty good history of what's taken place.

18 But let me give you a quick brief background
19 on the item itself. The Consideration of a Contractor
20 for a Public Awareness Campaign to Promote the Use of
21 Tire-Derived Products. We've kind of titled this
22 campaign our Green Roads Campaign.

23 This effort initially began as a strategy to
24 reach out to local decision-makers, as you know, to
25 educate and inform them on the use of recyclable

1 materials within their jurisdictions.

2 Specifically, we focused on the rubberized
3 asphalt concrete, tire-derived products, organic
4 materials, and recycled aggregate.

5 We intended to use the three-prong approach:
6 Going after elected officials who could be champions in
7 their respective jurisdictions of these materials; the
8 implementers such as public works directors and staff
9 who would be advising the electeds on these materials
10 as well as implementing any direction given; and the
11 general public in order to gain their support and
12 hopefully their influence on using these materials.

13 Due to funding issues at that time, we moved
14 away from the third prong of this approach and focused
15 on decision-makers and public works officials in
16 conducting our outreach.

17 In 2005, the Board began a two-year effort
18 that reached over 70 local jurisdictions and raised
19 awareness at local levels as to the use and benefits of
20 these specific recycled content materials.

21 We -- move on.

22 The contract expired in September of 2007.
23 The two-year contract effort allowed us to learn much
24 about the best way to reach out to our local partners
25 and to provide information needed for them to make

1 better decisions on using these materials.

2 Earlier this year, the Board approved
3 continuing with the Green Roads effort and to reach
4 more jurisdictions and decision-makers within the
5 state. Both OPA and our local assistance market
6 development staff worked together to create a scope of
7 work that would utilize much more of our in-house
8 capabilities, our own resources, and reach a broader
9 audience.

10 Changes were made on our approach, including
11 reducing the amount of different materials we'd be
12 targeting, focusing primary on RAC and TDA.

13 The new effort also included the third prong
14 that was eliminated in the first go-around, the general
15 public, in order to gain a wider acceptance of these
16 materials.

17 Also, a much stronger presence of LAMD staff
18 will participate in the face-to-face meetings with the
19 local jurisdictions. We will be developing more
20 effective materials and creating greater opportunities
21 for outreach and promotion of the materials.

22 So I hope this brief helps a little bit on
23 some of the background. And Jordan Scott will discuss
24 the process and the winning contract for you.

25 MR. SCOTT: Good afternoon.

1 CHAIRPERSON PETERSEN: Afternoon.

2 MR. SCOTT: Chair Petersen, Committee Member
3 Brown. Jordan Scott with the Office of Public Affairs.
4 Long-time listener, first-time presenter, so thanks.

5 (Laughter)

6 MR. SCOTT: Item 11 comes before the committee
7 to award the contract for a public awareness campaign
8 to promote the use of tire-derived products. The scope
9 of work for the two-year campaign was approved by the
10 Board in September of this year with a maximum
11 allocation of \$1.2 million available over the course of
12 fiscal years 2008-09 and 2009-2010 with the ultimate
13 goals of developing markets, increasing demand for
14 tire-derived products, and reducing the amount of waste
15 tires in landfills stockpiled in California.

16 This campaign is specifically designed to meet
17 two of the three major outreach objectives outlined in
18 the five-year plan.

19 First, as Jon spoke of, this campaign aims to
20 raise awareness to the general public about the
21 benefits of rubberized asphalt concrete, or RAC,
22 thereby energizing consumers and residents and creating
23 demand for the product at the local government level.

24 Second, this statewide campaign will build on
25 the Board's previous Green Roads efforts, targeting

1 decision-makers and public works officials within local
2 jurisdictions to provide outreach and education on the
3 benefits of using RAC and tire-derived aggregate, or
4 TDA, in various civil engineering projects.

5 We're also developing new outreach materials
6 and preparing LAMD staff to provide ongoing outreach.

7 The original Green Roads campaign reached
8 nearly 70 jurisdictions throughout the course of that
9 contract. This next phase has a minimum target of
10 reaching at least 100 more.

11 Following the Board's approval of the scope of
12 work in September, the Office of Public Affairs in
13 conjunction with the Board contract staff developed a
14 Request For Proposal, a secondary method to solicit the
15 services of a qualified public relations organization
16 that could successfully meet and possibly exceed the
17 specific objectives within the allocated budget.

18 Now there's a difference, I think you're both
19 familiar with, between the primary and secondary offer.
20 If you need any clarification or a refresher, I'll
21 address that afterwards. Just let me know.

22 After over a month of being advertised,
23 proposals were submitted and were reviewed for
24 completeness by contract staff.

25 Those proposals deemed responsive -- in other

1 words, they complied with the terms outlined in the RFP
2 package, provided all the right certifications, filled
3 out all the right forms, etc. -- those responsive
4 proposals were then provided to the RFP evaluation
5 panel which was made up of a combination of subject
6 matter experts from both OPA and the LAMD staff.

7 The panel reviewed six responsive proposals
8 independently of each other, scoring them in accordance
9 with the guidelines and criteria outlined in the
10 solicitation package.

11 Some of the criteria evaluated included items
12 such as the proposer's approach to the project, their
13 methodology, their experience with similar campaigns
14 and the cost of the proposals.

15 At the close of the evaluation period, scores
16 were completed and submitted to the contracts office
17 for final review. Contracts evaluated the results and
18 determined a contractor based on the proposer that
19 achieved the highest total score during the evaluation
20 period. And this is per State contracting procedures.

21 As the successful proposer in the Board's RFP
22 process, staff is recommending the approval of Ogilvie
23 Worldwide Public Relations as contractor for the public
24 awareness campaign to promote the use of tire-derived
25 products for a total contract amount not to exceed

1 \$905,773.

2 Staff asks that the Board approve option one
3 and adopt resolution 2008-202.

4 And that concludes my presentation unless you
5 have any questions.

6 CHAIRPERSON PETERSEN: Thank you, Jordan. Any
7 questions -- oh, I'd like to recognize Member Mule.
8 Howdy. Any questions? Comments?

9 Do I hear a motion.

10 COMMITTEE MEMBER BROWN: I move resolution
11 2008-202 revised.

12 CHAIRPERSON PETERSEN: I'll second that.

13 COMMITTEE MEMBER BROWN: You can.

14 CHAIRPERSON PETERSEN: Could you call the
15 roll, please?

16 BOARD SECRETARY GARNER: Brown.

17 COMMITTEE MEMBER BROWN: Aye.

18 BOARD SECRETARY GARNER: Petersen.

19 CHAIRPERSON PETERSEN: Aye. And that will go
20 to fiscal consent. Thank you, Jordan. Thanks guys.
21 Okay.

22 Item E, Board Item 12.

23 DEPUTY DIRECTOR LEVENSON: Thank you,
24 Mr. Chair. Howard Levenson with the sustainability
25 program. Item 12 is Consideration of the Grant Awards

1 for our Reuse Assistance Grant Program. Coming up here
2 will be Barbara Baker from the staff who has been in
3 charge of the grant program, and she'll make the
4 presentation.

5 CHAIRPERSON PETERSEN: Great. Good afternoon,
6 Barbara.

7 MS. BAKER: Thank you, Howard, and Committee
8 Chair and now Board Members.

9 The Board established the Reuse Assistance
10 Grant Program in 1999. The purpose of this -- Okay.

11 The purpose of this competitive program is to
12 develop and enhance reuse infrastructure and markets at
13 a local level, to increase reuse activities at waste
14 disposal, and to educate the communities about the
15 benefits of reuse. I'm sorry.

16 Local public agencies are eligible to apply
17 for grants. They can partner with local and private
18 entities such as businesses and nonprofits. The annual
19 allocation of this program is \$250,000. Each eligible
20 applicant can get \$50,000. Oh, I'm sorry. I'm sorry.

21 My little trigger finger.

22 CHAIRPERSON PETERSEN: Okay. We're getting
23 there.

24 MS. BAKER: The Board approved the scoring and
25 criteria evaluation process this year's grant offering

1 on November 2006, and the scoring criteria made up of
2 two major parts: General criteria and preference
3 criteria.

4 An applicant could receive up to 75 points for
5 general criteria, and applicants have to score a
6 minimum of 55 points in the general criteria to receive
7 additional points in the preference criteria.

8 The applications were evaluated according to
9 the Board's approved process. We received 13
10 applications. Only nine were deemed complete for
11 funding consideration. And of those, only eight got
12 passing scores totalling -- asking for \$360,499.
13 That's without the matching funds.

14 And since there's only \$250,000 available for
15 this year's grants, we can only -- we cannot fully fund
16 all those who received a passing score. Therefore,
17 staff recommends awarding grants to the highest-scoring
18 applicants in descending order until all available
19 funds are used.

20 Using this method, five applicants are being
21 recommended for full funding totalling \$249,517.

22 This year there is a variety of projects being
23 recommended. Three of them, of the recommended
24 applicants are proposing doing projects that are key
25 priority waste category of reusing construction

1 demolition material.

2 There is one innovative project that's
3 modelled to a similar project in Georgia. This project
4 proposes to collect surplus medical supplies and
5 equipment. The materials would then be consolidated,
6 sorted, and sent to health care facilities to benefit
7 low-income populations in California.

8 Our staff recommendation got blank. Okay. Up
9 there. We're recommending -- okay.

10 We're recommending the approval of Option 1
11 and adopting resolution 2008-197, and Attachment 1
12 lists the recommended grant award recipients and
13 description of the projects and the recommended grant
14 amounts. Thank you. This -- oh.

15 CHAIRPERSON PETERSEN: You're welcome. There
16 it is. Approve Option 1, huh?

17 MS. BAKER: I'm all happy. I didn't know I
18 did that.

19 COMMITTEE MEMBER BROWN: Just keep clicking.

20 CHAIRPERSON PETERSEN: Keep going. That's
21 fine.

22 MS. BAKER: And that's it.

23 CHAIRPERSON PETERSEN: Any comments or
24 questions?

25 COMMITTEE MEMBER BROWN: No. I was happy to

1 see the Alameda County project with the health facility
2 material that's getting collected and reused. That's
3 good.

4 CHAIRPERSON PETERSEN: I am really interested.
5 This is very interesting, all of these. I talked to
6 Howard about this.

7 These are great stories. These are what we
8 need to get the reuse stuff going. And have we
9 measured this at all? Is there -- and it's like --
10 some of these projects are so successful. They're like
11 the great little secret sometimes that we got to get
12 out there to other communities.

13 MS. BAKER: We -- just to go over this program
14 just for me back in April, but everything has been
15 evaluated in the past and I think when it was in the
16 Markets Division it was put out there.

17 The last cycle, cycle nine, didn't get
18 evaluated or anything put out just because of the reorg
19 and just because there was no time. I was trying to --

20 CHAIRPERSON PETERSEN: No, no, we got all -- I
21 got that. But I'm very excited about what you're doing
22 here.

23 DIVISION CHIEF WILLD-WAGNER: And this is
24 Shirley Willd-Wagner, for the record, Financial
25 Assistance Division.

1 Each grantee does submit a final report at the
2 end of each cycle, and they really describe their
3 outcomes. They tell their stories, as you were saying,
4 in a nice way.

5 And we have in the past put those on our
6 website, and we will bring these up and make sure.
7 Because there's some, as you said, innovative programs.

8 CHAIRPERSON PETERSEN: Very innovative.

9 DIVISION CHIEF WILLD-WAGNER: Good stories.

10 COMMITTEE MEMBER BROWN: And I think it
11 helps other -- I'm sorry.

12 I was going to say it helps other
13 jurisdictions when they see them to come up with new
14 ideas of things they can do, either to apply for grants
15 in their communities for waste streams that they hadn't
16 thought of yet, like the health care facilities and
17 things like that.

18 Refresh my memory. The reallocation for
19 projects that aren't funded will happen in April/May
20 time frame? Okay.

21 CHAIRPERSON PETERSEN: Okay.

22 COMMITTEE MEMBER BROWN: At the end of IWMA?

23 DIVISION CHIEF WILLD-WAGNER: It's with IWMA
24 money, If there's any additional IWMA money.

25 COMMITTEE MEMBER BROWN: That's what I mean.

1 So if there is any additional money for IWMA to refund
2 these -- I mean to fund these, then that would happen
3 in the April-ish time frame.

4 CHAIRPERSON PETERSEN: Great.

5 BOARD MEMBER MULE: If I could just make a
6 comment.

7 I know we've raised the issue before about the
8 amount that we have in this category, just \$250,000.
9 And since when you look at the hierarchy of AB 939,
10 reduce, resource reduction, reuse -- I don't know how,
11 but I would hope we could find a way to put additional
12 funds into this program.

13 Because, as Chair Brown has stated, there are
14 some great success stories out there. And it really
15 will help other jurisdictions, again, to increase their
16 diversion rate through these reuse programs, and you
17 know just looking at Best Management Practices via this
18 program.

19 Again, I think this program is one of our
20 unsung heroes of the Board.

21 But thank you.

22 CHAIRPERSON PETERSEN: The other thing, really
23 good idea -- you ready? Maybe we could videotape some
24 of these projects and have them with our in-house video
25 production -- producers, directors, and all the

1 infrastructure we have -- to do some of that, to expose
2 some of these projects.

3 DIVISION CHIEF WILLD-WAGNER: That's a great
4 idea. We will work with Public Affairs.

5 CHAIRPERSON PETERSEN: And we could put them
6 on our website.

7 DIVISION CHIEF WILLD-WAGNER: Put them on the
8 website.

9 CHAIRPERSON PETERSEN: And in between halftime
10 and football game, we can watch these.

11 (Laughter)

12 DIVISION CHIEF WILLD-WAGNER: And there's so
13 much in here that involves businesses, and we'll be
14 sharing them with the Zone Administrators and all the
15 new, you know, the outreach we have with the Local
16 Assistance Market Development staff now.

17 CHAIRPERSON PETERSEN: That will be great.

18 DIVISION CHIEF WILLD-WAGNER: And we can get
19 this stuff out in a variety of ways.

20 CHAIRPERSON PETERSEN: Well, that's grand.
21 Anyway, thank you. This is a grand program.

22 Do I hear a motion?

23 COMMITTEE MEMBER BROWN: Move resolution
24 2008-197.

25 CHAIRPERSON PETERSEN: I'll second that, and

1 can we substitute the roll on this please.

2 COMMITTEE MEMBER BROWN: Sure.

3 CHAIRPERSON PETERSEN: We did it. Okay.

4 We're on to Item F, Board Item 13. Oh, I put
5 that on fiscal consent too.

6 DEPUTY DIRECTOR LEVENSON: Thank you,
7 Mr. Chair. Item 13 is our grant awards for the latest
8 cycle of the Household Hazardous Waste Program. And
9 I'm going to turn that over to Steve Hernandez to make
10 the presentation on this.

11 CHAIRPERSON PETERSEN: Afternoon, Steve.

12 SUPERVISOR HERNANDEZ: Good afternoon,
13 committee members. I'm Steve Hernandez, supervisor of
14 the Household Hazardous Waste Program, and I will be
15 presenting this Committee item.

16 This year's Household Hazardous Waste grant
17 program marks a sort of transition period. Program
18 staff is beginning a review of recent grant cycles.

19 You may recall that staff requested from the
20 Board and obtained a pause in the coordination grants
21 which were a feature of the 15 and 16 cycles. As I
22 will later discuss, future HHW grant cycles may have
23 other components via pharmaceutical management
24 legislation such as Senate Bill 966 by Simitian.

25 At this time, I am pleased to present the

1 proposed awards. All \$5 million available will be
2 awarded. This cycle was oversubscribed; as a result,
3 seven passing applications will not be funded.

4 However, if one of the applications proposed
5 for funding does not receive funding for some reason,
6 such as not able to execute the grant agreement, the
7 funds shall be awarded to the next-highest scoring
8 applicant in descending order until funds are
9 exhausted.

10 Four scoring panels were convened in
11 accordance with the approved process. 32 qualified
12 applicants were scored.

13 I wish to point out that as the result of a
14 scoring error, the City of Elk Grove's application
15 score has been adjusted. The adjusted score reflects
16 the project's focus, which is design versus
17 construction of their first permanent Household
18 Hazardous Waste collection facility.

19 Their proposed award is also reduced by
20 \$39,914 representing their share of the shortfall in
21 cycle funding.

22 Furthermore, the Tuolumne County proposed
23 award amount has been increased by \$39,914. Both the
24 City of Elk Grove and Tuolumne County applications have
25 the same score and are on the funding threshold of

1 \$5 million. Therefore, both applications are
2 splitting, if you will, the cycle funding shortfall of
3 \$79,828.

4 Implementation of the statutory program and
5 general criteria via the scoring panels resulted in
6 proposed awards to 18 applicants representing 66
7 jurisdictions.

8 The proposed awards represent a mix of EPR,
9 retail takeback, HHW facility construction and/or
10 expansion, facility design, and HHW collection and
11 education efforts. Many projects out of necessity
12 represent a blend of project activities.

13 The permanent Household Hazardous Waste
14 collection facility manual, along with a companion
15 guidance document and expanded facility profile index,
16 is expected to be completed around March of 2009.

17 Staff from Local Assistance and Market
18 Development along with knowledge integration branches
19 are completing this project. Staff and stakeholders
20 welcome this initiative and its promise of a more
21 cost-effective facility design and construction
22 guidance.

23 Program staff anticipate that the next
24 Household Hazardous Waste grant cycle will address some
25 form of pharmaceutical collection program. SB 966

1 requires the Board to develop in consultation with
2 appropriate state, local, and federal agencies model
3 programs for the collection and disposal of
4 pharmaceutical drug waste.

5 Additionally, SB 26, introduced in the
6 Legislature December 1st, would require the State Board
7 of Pharmacy to coordinate with other state agencies,
8 local government, drug manufacturers and pharmacies to
9 develop sustainable, efficient policies and programs to
10 manage pharmaceutical waste and disposal of devices.

11 Later this month, program staff will
12 coordinate with legal staff and other sustainability
13 program branches to discuss implementation of SB 966
14 and the programmatic consequences of SB 26 if it is
15 passed into law.

16 As you are aware, recycling markets, many
17 product manufacturers, retail businesses, many levels
18 of government, and consumers are in a difficult
19 economic situation.

20 I believe that staff is concerned that it is
21 possible that existing EPR and retail takeback efforts
22 may take a little longer to implement given the
23 economic recession. Facility and collection
24 operational structures are also affected, as you heard
25 this morning.

1 Staff will work closely with grantees and the
2 Board to keep apprised of developments and as necessary
3 make recommendations in the interest of program
4 effectiveness and promote best use of the funds.

5 Finally, I wish to bring to your attention
6 that program staff, partially bolstered by recent hires
7 and as a part of our grant program evaluation are
8 closely examining recent history back to cycle 14 of
9 the HHW program.

10 We believe that refinement to elements of the
11 grant process such as evaluative criteria, its
12 applicability to local needs, and the administrative
13 process is possible. Based upon staff review and
14 stakeholder input, we expect to make recommendations to
15 the Board for the next HHW criteria cycle.

16 Finally, staff recommends that the Board adopt
17 Option number 1 and approve resolution number 2008-198.

18 Thank you for your attention, and I'm
19 available to answer questions.

20 CHAIRPERSON PETERSEN: Thank you, Steve.
21 Questions? Rosalie?

22 BOARD MEMBER MULE: Again, I just want to
23 thank staff for all their work on this. There are some
24 really good projects in here. So look forward to
25 hopefully them getting funded.

1 COMMITTEE MEMBER BROWN: And I think, you
2 know, I don't know. Is it a sign of the times that we
3 were so over-subscribed on this economically? Or are
4 these programs going to be hit because of the economy
5 and not be able to start?

6 SUPERVISOR HERNANDEZ: Well, I think part --

7 COMMITTEE MEMBER BROWN: Pure speculation.

8 SUPERVISOR HERNANDEZ: Yeah. As you may
9 recall, we increased the allocation amounts for this
10 cycle because of the huge cost increases that have been
11 experienced on the construction side and in marketing
12 and most other aspects of the business.

13 COMMITTEE MEMBER BROWN: Right.

14 SUPERVISOR HERNANDEZ: So that reduced the
15 number of applications that can be funded with the
16 \$5 million.

17 COMMITTEE MEMBER BROWN: Right.

18 SUPERVISOR HERNANDEZ: Yet it does remain to
19 be seen in the future. This is why we want to go back
20 and really closely look at where we've been with the
21 program and see if we can make some adjustments in how
22 criteria are applied and what the criteria might be,
23 and also bolster our model programs. That will help --
24 such as the contract which I mentioned; that will be
25 online pretty soon.

1 But other Best Management Practices that we
2 can help reduce costs for the projects that are being
3 proposed and maybe have more direct influence on
4 managing the cost side of the program.

5 COMMITTEE MEMBER BROWN: Right. There's such
6 an incredible need out there, if we've got requests for
7 \$8.5 million to build these and plan for these
8 facilities.

9 And I will say that they probably will not go
10 forward and handle these difficult-to-handle waste
11 streams without our assistance.

12 CHAIRPERSON PETERSEN: Oh, no. Absolutely.

13 COMMITTEE MEMBER BROWN: And I was concerned
14 about which ones won't even start altogether because
15 they can't do their part of it.

16 Sorry, Shirley.

17 DIVISION CHIEF WILLD-WAGNER: No, I was simply
18 going to mention that one of our scoring priorities is
19 that the facility can be demonstrated that it will be
20 kept open after our funding is exhausted.

21 So that is a big part of it with these
22 sustainable HHW-type facilities or programs, so the
23 applicant needs to demonstrate that they can continue
24 the program. Which is tough these days.

25 CHAIRPERSON PETERSEN: What I really like

1 about this what you've done on design, helping with
2 design and the manual, so that it cuts their costs
3 down. There's the guide book right here. So that's
4 going to help tremendously.

5 Good job.

6 DEPUTY DIRECTOR LEVENSON: Just tagging on to
7 that, I want to let folks know that we're tentatively
8 planning the next HHW used oil conference for the first
9 week of June. It doesn't conflict with anything that
10 we can figure out yet.

11 We haven't had a conference in a while because
12 we had the national conference down in San Diego last
13 year. So the manual and the guidance associated with
14 that will be rolled out at the conference.

15 We'll have a lot of training sessions for
16 locals as well as, as Steve mentioned, trying to get
17 more feedback from stakeholders about the program
18 itself and streamlining and how to focus and deal with
19 some of the these issues.

20 And hopefully -- that's in June -- we'll have
21 some progress on EPR legislation that we can report, at
22 least that it's introduced and making progress.

23 CHAIRPERSON PETERSEN: It's all coming
24 together, Howard.

25 DEPUTY DIRECTOR LEVENSON: That'd be good news

1 if we could have that as well.

2 CHAIRPERSON PETERSEN: Okay. It's coming
3 together. Where's the location? Have you picked a
4 location?

5 DEPUTY DIRECTOR LEVENSON: San Francisco with
6 great rates.

7 CHAIRPERSON PETERSEN: Oh. That works.

8 DEPUTY DIRECTOR LEVENSON: Because of our
9 conference contract and our ability to really do some
10 leveraging.

11 CHAIRPERSON PETERSEN: Good. Thank you.

12 We have one speaker. Famous George Larson.
13 Or infamous? What's it going to be, George?

14 MR. LARSON: George is good. You know. Just
15 George.

16 First of all, not that I have to apologize for
17 coming in late, but I may have missed a couple of
18 points I'm going to raise, but I'd like to raise them
19 if I can anyway.

20 I prepared a grant for the Kings Waste
21 Recycling Authority who are most thankful for the
22 numerous grants that have been awarded by this Board in
23 the past, both in used oil, household hazardous waste,
24 e-waste, universal waste.

25 We unfortunately were not a benefactor of the

1 award this time, although we were in that group that
2 were graded at a level, if you will, deserving of a
3 grant but, as was noted, there is insufficient funds.
4 Or were insufficient funds.

5 What I did pick up on is Madam Chair Brown
6 noted the extreme need. Kings Waste Recycling
7 Authority, of course, Kings County, rural, Central
8 Valley, certainly not with a strong economic base to
9 support the kinds of costs that are associated with
10 this kind of a program.

11 I'm concerned, and I'm not bringing the
12 message from my client that they're going to stop this
13 program, what they're doing, currently.

14 But certainly, as the economics and the costs
15 of operations of their MRF are tallied, there's
16 probably going to be some programs that are going to be
17 hit. And this, I feel, is going to be one of them.

18 So the point's well taken that they're not
19 going to happen without this kind of support. When
20 there is another financial means, if you will, like the
21 funds for oil or the funds derived from electronic
22 sales, then maybe it would be a different story. But I
23 am concerned.

24 What I did want to make as a point: Because
25 Kings Waste Recycling Authority was graded at a level

1 eligible for funding had there been, will there be some
2 consideration for my client in -- first of all, in any
3 potential for subsequent funding, which I've spoken
4 with Mr. Hernandez, and he says that's probably
5 unlikely because you guys are crunched too.

6 But next cycle, is there any way to give
7 consideration to those that were recommended for
8 funding in this cycle so that we don't have to start
9 off in the blocks again, if you will.

10 COMMITTEE MEMBER BROWN: It would probably
11 depend on whether we had the same offering and had the
12 same program. You know, we would have to exactly
13 duplicate the same request for projects, and I think
14 we've done different ones out of this fund every year,
15 but -- because we did e-waste last time.

16 STAFF COUNSEL ARMSTRONG: The Board approved a
17 two-year criteria for -- this criteria was approved for
18 both 2008-2009. But if the Board directs, staff could
19 come back and consideration -- this could be approved
20 for consideration to be included for criteria for the
21 next cycle. At the Board's pleasure.

22 COMMITTEE MEMBER BROWN: Holly, identify
23 yourself for the record.

24 STAFF COUNSEL ARMSTRONG: Oh, sorry. Holly
25 Armstrong, Legal Office.

1 COMMITTEE MEMBER BROWN: You mean the same
2 program criteria?

3 STAFF COUNSEL ARMSTRONG: This criteria was
4 approved for two fiscal years, the same criteria. When
5 the Board adopted -- when staff presented this
6 criteria, it was approved for both the fiscal years
7 '08-09 and '09-10 with the proviso that if different
8 policies or different priorities were presented, staff
9 could come back to the Board, the Board could direct
10 staff to come back, so that other considerations could
11 be presented and the criteria could be altered.

12 So if the Board directs staff to come back to
13 consider this issue that Mr. Larson has presented, it
14 has the discretion to do that.

15 COMMITTEE MEMBER BROWN: I think we're looking
16 to have that opportunity sometime in the future, not to
17 make that determination and direction now.

18 But if the Board so chose to do that, would it
19 ever have the option to allow these unfunded programs
20 to just utilize their application for this project
21 without having to go through the exhaustive financial
22 process of reapplying?

23 Because that's staff time. That is time to a
24 local government to do the application. And just take
25 the score and take the project and just --

1 STAFF COUNSEL ARMSTRONG: They could reapply
2 with the same application.

3 CHAIRPERSON PETERSEN: Great.

4 STAFF COUNSEL ARMSTRONG: And it could be
5 considered under -- with the other -- with the other
6 applications.

7 COMMITTEE MEMBER BROWN: With any new
8 applications that come in.

9 STAFF COUNSEL ARMSTRONG: Right. But it
10 wouldn't be a matter of them being automatically
11 funded.

12 COMMITTEE MEMBER BROWN: No.

13 STAFF COUNSEL ARMSTRONG: But they could
14 submit exactly the same application.

15 They would need a new resolution authorizing
16 that application unless they have a resolution that is
17 good for more than one fiscal year, in which case they
18 just have to supply a copy of that. But they could use
19 the same application.

20 COMMITTEE MEMBER BROWN: Howard?

21 DEPUTY DIRECTOR LEVENSON: Basically, what I
22 was going to say. I believe they could submit their
23 application again. They wouldn't have to really redo
24 it other than the cover sheet and an updated signature.
25 They'd have to compete against everybody else who

1 applies.

2 And as with all applications, we do provide
3 guidance back upon request in terms of how the -- not
4 the exact score, but issues with the application and
5 how to improve things. So if they wanted to change the
6 application, they could as well.

7 CHAIRPERSON PETERSEN: Great. Thank you,
8 Howard.

9 MR. LARSON: I would just for the record like
10 to make that request to have that meeting with staff so
11 we can review the Kings County application at an early
12 and convenient time.

13 CHAIRPERSON PETERSEN: Okay. Did everybody
14 agree? We have all agreed, George. All right.

15 I guess that's it. Do we hear a motion or any
16 other comments or questions.

17 COMMITTEE MEMBER BROWN: No other comments or
18 questions, I guess, so that's -- I move resolution
19 2008-198 Revision 2.

20 CHAIRPERSON PETERSEN: I second that. And can
21 we substitute the roll? Okay. And that's going to go
22 to fiscal consent as well.

23 And thank you all very much. Great projects.
24 What you guys are doing is fabulous. Thank you, Steve.
25 Thank you, Shirley.

1 Okay. Howard?

2 DEPUTY DIRECTOR LEVENSON: Our last item of
3 the day, not of the week. In keeping with doing lots
4 of big things this week, we're going to have an update
5 by our contractor on the Board's ambitious tire
6 business assistance program.

7 Since we don't have any new Board Members, I
8 was prepared to kind of give some context on the tire
9 activities as a whole, but I'm not going to do that.

10 We'll just launch straight into this
11 presentation. And certainly this is one of our major
12 market development activities under the tire program as
13 a whole. It's an innovative program that's designed to
14 assist individual businesses as well as the tire
15 industry as a whole.

16 And a lot of folks have been involved in the
17 past. I do want to recognize Calvin Young and Mitch
18 Delmage for their leadership and Jim Lee as well,
19 developing the program.

20 And it's turned over to other folks now. Don
21 Peri and Jennifer Caldwell are our contract managers.
22 But it is one of our biggest programs.

23 Before I turn it over to Ed Boisson, who's our
24 contractor, I do want to mention -- announce something
25 about our grants to individual businesses.

1 Our next grants cycle, the third cycle under
2 the program, we will be releasing a notice of funds
3 availability announcement around February 2nd, and we
4 expect that the deadline for applications for that
5 cycle will be mid-April. Those dates might change by a
6 couple days.

7 But folks who are listening, stakeholders who
8 are interested, can start anticipating an announcement
9 in very early February and applications due in
10 mid-April.

11 With that -- Ed, do you want to be back there?
12 I'll turn it over to Ed Boisson who will give the
13 presentation.

14 MR. BOISSON: Thank you, Howard.

15 CHAIRPERSON PETERSEN: Good afternoon, Ed.

16 MR. BOISSON: Good afternoon.

17 Like Howard, I was prepared to go into a
18 little more background with the idea that there might
19 be new Board Members. So what I'm going to do is move
20 through pretty quickly; and then if you have questions,
21 of course we can come back to it.

22 I'm going to start by -- this is our annual
23 report. There were two charges, one, to give a quick
24 update on the program itself, and secondly, to step
25 back and talk a little bit about industry trends.

1 I'm going to start small and go to the big
2 picture, so we're going to talk business assistance.
3 Then we'll talk about industry trends. And then we'll
4 talk about how our industry-wide projects are working
5 within the industry trends.

6 I want to second what Howard said about
7 working with Calvin and Mitch. I think that we had
8 built a very cohesive team over the last couple of
9 years; and I think that Don and Jennifer and myself and
10 the rest of our team are -- we have another cohesive
11 team. We're working very well together, and things are
12 going pretty well.

13 The overall goal of the program, of course, is
14 to strengthen the overall infrastructure and expand the
15 marketplace. And there's the two components: The
16 business-specific assistance and what we're calling the
17 industry-wide projects.

18 Just to review very briefly, R.W. Beck has
19 been managing the contract thus far. It expires in
20 April. There's a new contract in place. The
21 Corporation for Manufacturing Excellence, Manex, is
22 managing that contract.

23 We're a subcontractor to them, and we'll be
24 leading up the industry-wide projects and kind of
25 facilitating, but they're leading up the business

1 assistance.

2 I also want to recognize Denise Kennedy with
3 DK Enterprises who you probably know well. She has
4 worked -- has been one of our prime partners in the
5 program and worked with me closely on this
6 presentation. She's available if there's questions.

7 At this stage, we've provided assistance to 29
8 grantees, companies, 22 TDP firms, tire-derived product
9 firms, and what I mean by that are manufacturers who
10 make a product or even more often companies that
11 install a product: Athletic fields, playground
12 surfaces, et cetera. And seven processors spread out
13 all over the state.

14 I think we feel it's a pretty representative
15 mix of companies in terms of small and large, location,
16 rural versus urban.

17 And I think, just to give a flavor, they
18 really are small businesses by and large. I think it's
19 80 percent have sales less than \$2 million. About
20 40 percent less than \$500,000, just to give you a
21 flavor.

22 And I forget the exact percentage, but it's
23 close to half are family businesses in the sense that
24 there's at least two if not several more family members
25 are principals in the business and executive management

1 team.

2 I think you guys are very familiar with the
3 range of products made from tire-derived products.
4 This is just a graphic that gives a flavor. Most, not
5 all, of these are made in California right now. I
6 think I'll leave it at that.

7 The program -- the business assistance side of
8 the program is hinged on the assessment process. So
9 the way it works, just to review:

10 Businesses apply. Board staff make a
11 determination of their eligibility. And then we work
12 with Board staff to do an independent assessment.

13 What we are really aiming at in that process
14 is to come up with a consensus with the business, the
15 Board, and the consulting team as to how the program
16 resources could be best put to use. It's a quick
17 process, so we're not really able to get under the hood
18 too far.

19 But that said, the businesses do get some
20 independent objective feedback, and I think that
21 generally they have appreciated that as well.

22 Just to step back and talk about what the
23 businesses have in common. Again, they're virtually
24 all very dynamic, driven management teams. They all
25 have a niche that they're trying to exploit.

1 Many of them have very high growth potential.
2 Getting there can be challenging. They all face the
3 same challenges that other small businesses face, the
4 drive to grow rapidly.

5 What comes hand-in-hand with that is the
6 cash-flow crunch. As sales go up, inventories get
7 crunched and access to capital gets crunched.

8 One of the most fundamental issues we've
9 encountered, and we've spent a lot of time with the
10 businesses talking about, is the fact they are wearing
11 too many hats.

12 And there is not really an easy solution to
13 that, but the goal that we have is to move from
14 opportunistic to strategic decision-making so there's a
15 plan and you're moving down a path and it makes sense.

16 The other thing we've encountered is that the
17 operational and financial systems are really all over
18 the map. Some are very well developed; others are not
19 so much in terms of the accounting systems they're
20 using.

21 And just to give one concrete example, a lot
22 of the companies would have a difficult time if they
23 have a large number of products they're making,
24 allocating -- understanding where they're making money
25 and where they're losing it and what the costs are. I

1 don't want to paint it with a broad brush. I just --
2 that's something we have encountered quite a bit.

3 And then the added twists I think are
4 critical. One, the green marketing orientation, like
5 any recycled content product producer. And -- but the
6 other one, the role of government programs, I think --
7 next to e-waste, perhaps, I think the role of both
8 policies, regulations, and funding is probably most
9 critical to this particular recycling market in my
10 opinion.

11 The types of assistance that the 29 firms have
12 received are given here in the pie chart. Just to give
13 a flavor, the equipment in the past has been a part of
14 the program. In the future, it will not be. There
15 will be a possibility of loans.

16 In the general assistance category -- that's
17 things like strategic planning, looking at accounting
18 systems, as I had mentioned. Technical is usually
19 related to process efficiency, moving equipment around,
20 selecting equipment, also looking at securing
21 feedstocks, opportunities for partnerships, things like
22 that.

23 Marketing we've done quite a number of
24 websites, general marketing materials. A little bit of
25 planning in the marketing area and research as well.

1 And then testing, even though the dollars are
2 relatively low, I think has been one of the more
3 valuable areas where we have done a lot of testing in
4 the playground surfacing arena and then also in some
5 other types of products with different types of
6 standards.

7 I've got a few case studies I'm going to go
8 through pretty quickly. This is Modular Rubber Drains,
9 which you may know. They're down in Goshen, California
10 in the Central Valley.

11 This is a company that spun off of a
12 long-standing existing company that was involved in
13 highway construction. They're engineers, and they were
14 dealing with drain issues in their roads projects. And
15 they decided to spin off this company that has a better
16 fix basically for the problem.

17 So it's a modular drain. This is an example
18 of it. Can be constructed in different ways to fit the
19 specific needs of the application and the -- basically,
20 the way we worked with them, the overall objective was
21 to get that new product off the ground, get the company
22 going. And then they have actually sited a new
23 facility.

24 The types of assistance, we worked with them
25 on securing feedstock, looking at the equipment that

1 they were going to use to manufacture the product.

2 We've done some product testing. And we did some
3 outreach with them to Caltrans.

4 And I believe -- I was hoping to confirm it
5 before coming in here -- but I think they have a
6 specification in place. And bottom line is that
7 they're up and running, and they're a thriving company
8 and very happy with the program, I should say, too.

9 Next company is Rubber Trails and Surfaces.
10 They also go by Rubber Wholesalers. This is actually a
11 Georgia-based company. They have a facility in
12 Mentone, California where they do -- historically over
13 the last couple of years, they've done colorizing of
14 landfill -- excuse me -- playground material,
15 loose-fill playground and bark.

16 They are working hard at expanding their
17 product line nationally, but specifically in
18 California. That was the goal of our work with them,
19 both to get the operations in California going and to
20 expand the product line.

21 We did things like, again, working on the
22 feedstock issue with them, identifying potential
23 partnership opportunities, product testing.

24 And with this company, we're also doing a
25 green building marketing plan which is involving doing

1 spec sheets, cut sheets for their products, and
2 specifically coming up with a strategy to do outreach
3 to architects. And that dovetails with a lot of the
4 industry-wide work we're doing as well.

5 They also had an equipment grant which will be
6 used for some of the production equipment for their new
7 products.

8 CHAIRPERSON PETERSEN: Just -- is this thing
9 -- have you talked to USGBC about this? It's on a
10 project standard?

11 MR. BOISSON: It's -- what it is is, there are
12 two LEED point criteria that TDPs -- that are most
13 relevant to tire-derived products.

14 One is the recycled content. The other is the
15 locally sourced. And part of that effort is to
16 document -- to provide the documentation they need
17 to -- so the architect knows they can get these -- the
18 points for the LEED scores. I didn't say that very
19 clearly.

20 CHAIRPERSON PETERSEN: I got what you were
21 saying.

22 MR. BOISSON: Yeah.

23 CHAIRPERSON PETERSEN: We're working within
24 that framework. Okay.

25 MR. BOISSON: The third company is Holz. And

1 in my opinion, this is the future of tire recycling.

2 It's called widgets.

3 They make -- they have been around for
4 probably 70 years, a long-standing company down in
5 Lodi. They're a mainstream rubber product
6 manufacturer.

7 They make -- most of what they make are
8 components of industrial equipment. That's not a
9 hundred percent, but this is where their bread and
10 butter is, things like fan housings and gaskets, things
11 like that.

12 And we were excited to work with them because
13 we feel like this is kind of the cutting edge. One of
14 the main goals of the program is to bring in mainstream
15 manufacturers and create new demand, diversify the
16 marketplace, to build on the morning's discussion.

17 And we've had some success with them. I
18 should say: They have been successful, and we have
19 been fortunate enough to be helping them along in that
20 path.

21 The overall goal was to incorporate recycled
22 rubber in their product line. We again worked on the
23 feedstock sourcing. We did a production efficiency
24 effort that helped them to move some of their equipment
25 around. We've looked at the markets for products.

1 And the bottom line is that they are now
2 incorporating recycled rubber in virtually their entire
3 product line. It's a huge success. Now it's not huge
4 quantities of rubber, but it's a start. And it's a
5 precedent as well.

6 The other thing I'll mention -- this will come
7 up again in the presentation. But they need 80 mesh
8 ground rubber/crumb rubber to do what they're doing,
9 which is not currently available in California.

10 And that's another part of the program, the
11 chicken-and-egg. We want to build the demand as one
12 strategy to try to build that infrastructure for supply
13 which will help us to go back and build the demand.

14 A final case study. Denise helped to -- not
15 helped. She did conduct a forum back in Alabama
16 recently with Wal-Mart. The goal was to provide an
17 opportunity to recycled product vendors to get some
18 face time with a major retailer.

19 And we were able to get 11 California
20 companies there. Two of them specifically were
21 provided with funding. The others, we were able to
22 inform them of the opportunity and facilitate their
23 being part of it.

24 Everybody seems to agree it was a smashing
25 success, and there was a lot of good leads generated,

1 and opportunities.

2 And the opportunities are not just in the
3 retail sales but green building and Wal-Mart
4 construction and parking lots, that type of thing.

5 Bottom line, I feel that after two and a half
6 years -- I mean, it's really been about a year and a
7 half since we got the program up and running -- we have
8 delivered some tangible services. We've had some
9 successes. We have built some partnerships on a lot of
10 different levels.

11 Again, I think we have a cohesive team within
12 the contracting team, Certainly with the Board, and I'd
13 like to think with the businesses themselves. There's
14 a few folks in the room; I hope they'd agree with that.
15 I think they would.

16 And continual program improvement. We did
17 have some challenges early in the program, I think it's
18 safe to say. There were just administrative and
19 logistical. It's a brand-new program. And I think
20 collectively we've come a long way in overcoming those.
21 And again, it's operating at a much more smooth level
22 than it was previously.

23 The next cycle, as Howard mentioned, is up in
24 April for business applications, and we expect to have
25 pretty strong demand for that.

1 Okay, I'm going to switch gears now and talk
2 very briefly about industry trends.

3 This is just a flowchart of -- a very
4 simplified flowchart of the scrap tire marketplace.
5 Basically, generators flow through transporters who
6 ship the tires to the processors. The processors are
7 sort of the engine of the marketplace.

8 I have distinguished tire-derived product
9 manufacturers and installers, as I mentioned earlier,
10 on this chart.

11 And another player, retreaders, kind of off on
12 the side. Very critical player as well.

13 And then, of course, final customers.

14 We have a much more detailed flowchart that we
15 are working on for a future project that gets more in
16 detail about the customers. And I think as we start
17 working on demand-side efforts, we want to know who
18 they are on a much more deep level.

19 This is the Board's data from the most recent
20 report on the market, 2006. Rather than go through the
21 numbers in detail, I just to want highlight how
22 diversified it is.

23 You've got disposal, unfortunately, topping
24 the list at 25 percent. But other than that, you've
25 got several markets going relatively strong, and that's

1 a good thing. I'll return to that in a minute.

2 Very briefly in terms of trends -- let me say
3 that actually we are just now embarking on a market
4 study that we expect to have done by March that will be
5 a much more complete analysis than I'm able to do here.

6 And actually, since we did the PowerPoint and
7 got it into the system, we've conducted some interviews
8 with 10 of the companies. So I'll have a couple of
9 modifications to make.

10 One of them is on reuse and retreads. There
11 is some indication that there is -- it's historically
12 been holding steady. It's the stalwart of the tire
13 market. We're seeing increased demand for used tires
14 right now, both internationally and domestically to
15 some extent as well, certainly with the retreaders.

16 Ground and crumb rubber has been holding
17 strong for some time, mainly driven by the big markets:
18 RAC, turf and athletic fields, and mulch and bark.

19 It's an extremely active sector. We are aware
20 of at least 10 projects under discussion that could
21 expand capacity either through new facilities or
22 existing facilities. Constantly-changing list. Not
23 all of those will happen, but some of them will, and it
24 makes it difficult to predict where the industry is
25 going to go.

1 But that, again, is all good news. It's
2 expanding and there is activity.

3 On the civil engineering side, landfill
4 applications are holding steady, Have been for some
5 time. The State-supported efforts, a tremendous amount
6 of resources beginning to pay dividends.

7 We were looking at 2006. At that -- in that
8 year, I think it was less than about 200,000 tires
9 used. I think in '08 it'll jump, but still less than a
10 million, but obviously huge potential -- huge potential
11 there.

12 TDF has been holding strong as well, probably
13 increased since '06 with the spike in oil markets --
14 excuse me, oil prices driving demand in the cement
15 cones that use TDF.

16 Since oil has come down, that spike has
17 probably reduced. But I think the demand is still
18 strong. Recently, there might have been a slowdown
19 because there was a temporary shutdown of one of the
20 facilities.

21 Landfill and ADC is the one sector that -- I
22 think it's good news -- is more vulnerable to swings in
23 the marketplace. So for example, as exports have
24 increased and I'll note that now, we believe that
25 that's actually pulling tires out of landfill disposal

1 and possibly to some degree landfill ADC as well.

2 The short story in exports -- and we may want
3 to return to this later -- is over the last year to a
4 year and a quarter, there was an increase -- I don't
5 want to say for the first time, but at a much higher
6 level than it had been historically -- exporting of
7 whole tires and shred tires mainly to Asia, mainly to
8 China, but also to Vietnam. And there's also demand
9 from Japan, although we're not aware of any California
10 tires going to Japan.

11 Historically, there had been used tires and
12 casings going to retreaders. Those exports had been
13 much less than two million a year, if you look at the
14 Board's data going back 10 or 15 years, going all over
15 the world.

16 This new export of whole tires and shred tires
17 is different. It really is different. And it was
18 going strong, at a rate of -- I want to say as high as
19 four million, at a pace of four million tires per year.

20 And that's over and above the historical used
21 tire exports of about less than two million. So it's
22 quite a spike.

23 The term on this slide that says recent abrupt
24 halt is probably not quite accurate. We've learned it
25 did slow down just about the same time that the export

1 crunch hit all the other commodities. But it is back
2 on, and tires are definitely moving to China.

3 Just stepping back, I want to contrast the
4 tire recycling market with the markets we heard about
5 this morning.

6 The good news -- and I think it's kind of
7 tentative, though -- but the good news is: So far, I
8 don't see the marketplace has been effected horribly.

9 There was a hiccup in the export market. Some
10 might argue about whether that's a good or a bad thing.
11 And I think that some of the end-use demand is
12 definitely -- I'm nervous, and I think that a lot of
13 folks in the industry probably are.

14 But at this point in time, we're not seeing
15 any devastating effects that we're aware of.

16 That said, there is noticeably fewer tires
17 being generated and entering the system. And there is
18 already in some cases very fierce competition for those
19 tires, so there's the potential for some market
20 disruption. But so far so good, I guess is the bottom
21 line on that.

22 Briefly, I just want to say -- I have a list
23 of items to watch here.

24 The health concerns that have been in the
25 press mainly on the east coast and certainly to a

1 degree out here, most folks in the industry that I talk
2 to don't seem to be that worried about it. It's
3 certainly there. It's something to watch. It has the
4 potential -- and I'm not -- I'm just talking about the
5 perception in the marketplace, let alone what the
6 actual issue is. So that's something to watch. Excuse
7 me.

8 State and local government budgets. So many
9 of the TDP markets are reliant on government budgets
10 and even Board funding to support the grants. So I
11 think that gives us cause for concern and to watch.

12 On the national level there's a movement --
13 there's somewhat more capacity for the fine grind that
14 I was talking about is needed to get into the
15 mainstream manufacturing markets.

16 We don't have that yet in California. We've
17 had some interest in suppliers moving into the state
18 and our existing suppliers moving there, but we don't
19 have it yet. And it's a chicken-and-egg thing, and we
20 see that as a pretty critical piece going forward.

21 Then the last one, there also has been some
22 movement just in the last year, year and a half to the
23 big box retailers starting to carry things like mulch
24 and mats and flooring products.

25 We've been a little bit slow to get in on that

1 in California, but we are -- we do have companies that
2 are in those markets. It's a tough business to be in
3 with the price points and just what they demand of
4 their suppliers.

5 I have two slides, I believe, on barriers and
6 four slides total are left. I want to say I organized
7 these around four main points. And based on our
8 discussions, these are sort of the four main points
9 that any healthy recycling market would have.

10 So basically, a strong supply infrastructure
11 that is resilient to swings in the marketplace, that
12 produces quality material efficiently.

13 Let me jump ahead.

14 Sales mechanisms that are well-developed.
15 Companies that know how to move their product and --
16 for example, in the green building arena, I think a lot
17 of them are just getting their feet wet there.

18 And information in the marketplace so that the
19 customers know what the products are. They know what's
20 available.

21 And then the third point there, diversified
22 markets.

23 And then the fourth one, the need for market
24 information, just in terms of where the materials are
25 going so the companies can identify opportunities and

1 the Board can track progress.

2 Let's see if I can figure out how to go back.

3 There we go.

4 On the supply side, I've mentioned a couple of
5 these already. I want to mention the bottom one just
6 quickly.

7 We have heard a lot of comments about the
8 Board's permitting and storage regulations, and I'm not
9 going to say anything more about it here other than
10 it's a concern and it's directly relevant obviously to
11 the need to store product on site. And it's something
12 we're concerned about, and I know the Board is as well.

13 I'm going to skip to my last two slides.

14 These are talking about the industry-wide
15 projects that the program is undertaking. The first
16 one is that -- just so we spent a lot of time last year
17 organizing -- helping to organize the International
18 Tire Conference in May.

19 Other than that bullet, the other ones I'm
20 going to mention I organized directly under those
21 market needs I just described. And just to emphasize
22 that there is an overarching strategy to these
23 projects.

24 We have seven projects under the current
25 contract that we're really just hitting our stride in

1 for a number of reasons, partly the contract suspension
2 that hit us in the spring and the conference last May.

3 Under facilitating TDP sales, we have one
4 project underway looking at documenting performance,
5 attributes of products. We're just moving into that
6 right now, looking at where we could put the resources
7 and make priorities.

8 We have another project called Government and
9 Green Building Sales. We did the training session last
10 May that went really well. The focus was mainly on
11 green building, but we also had some Department of
12 General Services folks there. I think we really
13 provided value to the folks who were there.

14 We did a quality control session as well.
15 One -- actually two. One on playground surface
16 products, and another more generally for manufacturers.

17 That was last May, and we have funding to do
18 another set of those coming up.

19 Also in the new contract we have a cooperative
20 marketing project laid out. And just to touch on that,
21 it means a lot of different things to a lot of
22 different people, and I think our main objectives -- at
23 least, the way I see it -- is to start slow.

24 It absolutely has to be driven by industry
25 players, not by us. So our goal would be to find a

1 small number of folks who are willing to spend some
2 time to help us get moving, make a commitment, and then
3 see what we can do.

4 But the types of ideas that are discussed
5 range from websites to the cut sheets that I was
6 mentioning earlier, doing those on a more generic
7 basis. And there is, I think, a lot of other items as
8 well. We talked about specifications as well for crumb
9 rubber.

10 Last slide.

11 Under the rubric of expanding and diversifying
12 markets, probably the most important one in my mind is
13 the feedstock conversion effort which we are just
14 getting underway right now.

15 The main goal there is to bring new types of
16 companies into the program for that April deadline. So
17 we have a list of California rubber and plastic
18 manufacturers, and we're systematically doing outreach
19 to them and trying to follow up on any leads we can to
20 find those companies.

21 And the company Holz that I mentioned earlier
22 I think is a perfect case study of feedstock
23 conversion.

24 Another project we have underway, we're right
25 in the middle of, is looking at construction databases.

1 There are several out there that track construction
2 projects. There are other databases that track
3 recycled content products. And we're asking the
4 question: How can we use those to facilitate outreach
5 to promote tire-derived products and other recycled
6 products?

7 There's a pilot project that we're launching
8 that involves doing both of those. So on the one hand,
9 letting the companies know how they can list their
10 products in the databases. And on the other hand,
11 using the database to find -- I think the way we're
12 going to focus this is looking at the larger architects
13 who have a commitment to green building and
14 specifically do outreach to them to make sure they know
15 about tire-derived products.

16 There is a project called improving market
17 efficiencies which involves really tracking -- I
18 mentioned the ten projects that have been discussed to
19 expand capacity. We want to keep an eye on those and
20 just keep an eye open to how we might need to adjust
21 the programs in order to take into account what's
22 happening in the marketplace. I know that that's out
23 there.

24 And then lastly, on market information, we did
25 a short project which we wrapped up last month just

1 compiling existing information just as a launching
2 point for the more aggressive market analysis which we
3 have underway now which will be done in March. And
4 that's basically a refinement and an expansion of the
5 market studies that Board staff has done over the last
6 several years.

7 So that's it. I kind of rushed it. I hope I
8 didn't go too fast, and we're both available to take
9 your questions.

10 CHAIRPERSON PETERSEN: Now I'm really worn
11 out. Wow. Lots of stuff. Thank you, Ed.

12 COMMITTEE MEMBER BROWN: But at least this
13 isn't as depressing as the morning.

14 CHAIRPERSON PETERSEN: No, this is really fun
15 now. We weren't depressed --

16 COMMITTEE MEMBER BROWN: We're actually making
17 an impact in the marketplace.

18 CHAIRPERSON PETERSEN: Finally.

19 COMMITTEE MEMBER BROWN: Helping move things
20 along. So great work, Ed. Denise, thank you.

21 CHAIRPERSON PETERSEN: Thank you all. It's
22 been grand. Okay. One speaker. Michael.

23 MR. BLUMENTHAL: Good afternoon, Mr. Chair.
24 Board Members. My name is Michael Blumenthal. I'm
25 with the Rubber Manufacturers Association, and I'm glad

1 to get rid of all that riffraff from this morning. I
2 thought there was just too many people here.

3 (Laughter)

4 MR. BLUMENTHAL: Couple odds and ends.

5 One, I think that the work of R.W. Beck is on
6 the right track. I think they're getting the
7 information that is necessary to make well-informed
8 choices on how you're going to move your program
9 forward.

10 Couple of observations and comments. One, do
11 not be seduced by production capacity. The simple
12 ability to process tires even down to 40 or 80 mesh
13 does not ensure you'll have a market for those.

14 Many states' histories have gone down the
15 route of the dark path of increasing their production
16 capacity only to find out that oops, we don't have any
17 market.

18 If you heard anything from this morning, it
19 was: Markets are the key. It's no different in our
20 little marketplace either.

21 Market development has to be of paramount
22 importance, but the more important question is: Which
23 markets are we -- are you going to be looking at? And
24 I think that, to a very large extent, needs to wait
25 until you find out what the actual supply and demand --

1 what the real demand for tire-derived products is come
2 the March 2009 report from R.W. Beck.

3 I think that will help you define where the
4 money should be spent and how to better allocate your
5 scarce resources.

6 You have a lot of money earmarked for RAC.
7 You got this education programs out there for RAC. You
8 got the Chico. You got the north and south technical
9 programs. You got the Kuehl bill. You got your
10 programs.

11 The basic question is: Is there enough demand
12 for that material? You're spending upwards to
13 \$8 million to send three million tires to an end-use
14 market. If you start doing the math, those are big
15 numbers.

16 The other question is: If you're going to
17 artificially stimulate the RAC market, what impact is
18 that going to have on the other potential markets for
19 ground rubber here in California, especially those that
20 have the incentives and the packages from the State?

21 I think the answer will be there, and you can
22 find out come March when R.W. Beck does complete their
23 study. And I think that is all-important because
24 otherwise you may be going down the wrong road and
25 spending resources where there is not enough demand to

1 justify those kinds of technical programs.

2 As far as what we see for the markets in 2009
3 and 2010, I share most of what Ed said about 2009.

4 I think for the overall market we're not going
5 to see very major damages, especially to the fuel or to
6 the infill markets or to the civil engineering markets.

7 The one market that is at risk is the mulch
8 and playground markets because those are the kind of
9 expenses that households do; and given the economic
10 conditions, the recession that we find ourselves in,
11 many people may not be doing all the yard work and
12 landscaping they had planned because the house isn't
13 worth as much -- for whatever reason.

14 So in my discussions with the people in the
15 mulch and playground markets, they're looking for a
16 flat 2009. That would be the best case for them. Many
17 of them are looking for 10 to 20 percent reduction in
18 sales in 2009.

19 So this economic -- and it has nothing to do
20 with the product itself. It's not the obstacles, it's
21 the economy. And that has to be kept in mind.

22 2010: If the recession continues, our
23 predictions -- and I do apologize for not having our
24 market study finished yet. And this is coming out of
25 our market study -- in 2010, if the recession remains,

1 we not only see a continuation in loss of demand for
2 mulch and playground, we also see a reduction, a
3 significant reduction, in the demand for infill
4 surfacing in artificial sports surfaces.

5 The schools and academic institutions that
6 have already had their bonds, put the money up, have it
7 for '09. They will not have that ability in -- come
8 2010.

9 And so if the recession continues that long,
10 we see the ground rubber market at risk, especially in
11 2010, given these uncertain times. So that obviously
12 needs to be kept in mind and looked at.

13 That's just the way things are at this point
14 in time. So there you have it.

15 Thank you for your time.

16 CHAIRPERSON PETERSEN: Great. Thank you,
17 Michael. Very good information.

18 Terry Leveille.

19 MR. LEVEILLE: Chairman Petersen. Chair --
20 Committee Member Brown. Terry Leveille, TL &
21 Associates.

22 I know this isn't really a large part of the
23 BAP program, but Ed did touch on it, and that was the
24 exports to China. I think this issue -- obviously,
25 it's not a TBAP issue other than just the market

1 analysis, but it certainly should be of interest to the
2 tire program staff.

3 And I think we really need to know a little
4 bit more about how many tires are going there. Is
5 our -- according to one of your staff members, that
6 China is not allowed to take scrap tires?

7 CHAIRPERSON PETERSEN: Right.

8 MR. LEVEILLE: And -- but they are going to
9 Asia.

10 CHAIRPERSON PETERSEN: They're going
11 transhipped through Vietnam.

12 MR. LEVEILLE: That's what one of the rumors
13 is. And they're going off with little or no tip fee
14 from California.

15 So it possibly, you know, could affect the
16 markets in California. I just think there needs to be
17 some analysis internally with your permitting group or
18 with your enforcement group, or just some discussion
19 within the tire program group as to how to -- if this
20 is a good thing or if this is a bad thing. Is this
21 temporary thing?

22 CHAIRPERSON PETERSEN: I agree, Terry. I
23 agree with you.

24 MR. LEVEILLE: Anyway, just thought I'd raise
25 that issue.

1 CHAIRPERSON PETERSEN: Thank you. Ed?

2 MR. BOISSON: We had discussed -- well, first
3 of all, I would agree with Terry that it's not, per se,
4 a part of the program other than the market analysis.

5 We did discuss with Howard and the staff the
6 idea of going a little bit further with our analysis of
7 exports and seeing what we can document. I think in
8 some cases we certainly can do that.

9 But in terms of documenting exactly what's
10 happening on the other end, I'm not sure how far we can
11 go. So I wouldn't want to make too strong of a
12 commitment in that.

13 CHAIRPERSON PETERSEN: Get some idea.

14 MR. BOISSON: But we do have the discussion
15 going, so I just wanted to mention that that we plan to
16 do.

17 Also, I know Denise has been fairly active. I
18 think she wanted to make a comment if that's okay.

19 CHAIRPERSON PETERSEN: Fine. Sure. Hi,
20 Denise.

21 MS. KENNEDY: Hi. Denise Kennedy, DK
22 Enterprises.

23 I want to talk about the exporting our -- my
24 company did participate for the TBAP program in
25 interviewing these ten companies recently for that

1 survey and asking a lot of questions and have tried to
2 stay on top, as much as I could, on the export issue.

3 We did see when it started two years ago in
4 January. We saw when it halted for a week for most of
5 the companies, but not all.

6 And then we saw people start to store the
7 bailed tires in containers. That got stopped because a
8 competitor didn't like somebody else was doing that.
9 So that got kind of stopped for a while.

10 So we have seen this. And right now, there is
11 probably tracking with four major companies shipping to
12 the ports right now, tracking at a level about three
13 million tires.

14 Now, that doesn't mean it's not going to stop.
15 They all made more money, for the most part, when the
16 fuel cost was high. Right now, some are benefitting,
17 some are not. But they do have free disposal if
18 they're not being paid any money.

19 As far as the permit issue, because I have
20 heard that myself, one of the companies who has been
21 the primary one in the beginning has informed me that
22 they will provide me with -- the permits are being
23 renewed in China right now. They do go through
24 Vietnam. They do go to China. I do have one from the
25 past.

1 So the new permit, if I get it, I will make
2 sure -- and I've already said, if I get that I would
3 like to be able to show that. This would be the new
4 renewed one. Then we'll know that.

5 Because the rumor is recently that nobody can
6 go into China. But there are -- there are right now in
7 southern California 100 containers full of baled tires.
8 Because there is a major provider of them down there.

9 There has been two in the past. There's now
10 one right now.

11 So there is quite a bit of it. A lot of it's
12 in northern California. The closer the company is to a
13 port, most often the better the benefit because there
14 is less transportation costs to the Chinese government.

15 There's been four buyers, and I just reported
16 all this, so it's in writing. There have been four
17 buyers. Right now there is one primary one. And I
18 think there's actually two, but I was told one.

19 So it's going on. And it has taken tires out
20 of the landfill -- some out of the landfill -- but some
21 were going to processors as well.

22 But it has been an economic relief to some of
23 these companies. And rather, we want to get into the
24 issue of the air emissions in China. Personally, I
25 think we need to resolve our own issues in our own

1 state. I don't know how you stop going across, you
2 know, exporting.

3 But that's not my issue. I'm just giving you
4 a report, for the most part, on what is going on. And
5 it is happening. So.

6 CHAIRPERSON PETERSEN: Thank you.

7 I'm just -- and have been concerned about what
8 China -- it's their rules and their regulations, and
9 obviously some of these more liberal kinds of
10 provinces, the Canton and Shanghai, is probably where
11 some of this stuff is being -- it's always been in
12 these provinces, no way; in these provinces, yeah.

13 I've been to China too. So it's amazing.

14 But we don't want to do the wrong thing here.
15 That's what my concern is.

16 DIVISION CHIEF MORGAN: Chair Peterson, just
17 one quickie?

18 CHAIRPERSON PETERSEN: Sure.

19 DIVISION CHIEF MORGAN: I just wanted to
20 acknowledge Ed and his team and Howard's leadership.

21 We -- Ed mentioned earlier, we've done some
22 significant streamlining and improvements with the
23 program to really help make it easier for our
24 businesses in the program.

25 And I really appreciate Holly and Elliot's

1 support because we have streamlined the upcoming NOFA
2 to such a degree that it used to take a number of
3 months to get the application in place for the
4 businesses to receive business assistance, and now it's
5 going to be a matter of weeks.

6 And so I'm very grateful to Holly and Elliot
7 for supporting us on streamlining in this case a grant
8 program to make it easier on our stakeholders who -- we
9 want to do that. So I wanted to acknowledge that team.

10 Thank you for that time.

11 CHAIRPERSON PETERSEN: That's great. Thank
12 you. And this is grand stuff. And, as compared to
13 this morning, I'm in Disneyland, okay? Thank you. You
14 guys are grand.

15 I don't know if there's any other comments or
16 questions. If not -- and I thank you all very, very
17 much for coming. Staff, you're awesome.

18 And if there's no other business, we're
19 finished. Thank you all.

20 * * *

21 (Thereupon the CALIFORNIA INTEGRATED
22 WASTE MANAGEMENT BOARD MARKET
23 DEVELOPMENT AND SUSTAINABILITY COMMITTEE
24 meeting adjourned at 2:31 p.m.)
25

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7 meeting was reported in shorthand by me, Linda Kay
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11 I further certify that I am not of counsel or
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14 IN WITNESS WHEREOF, I have hereunto set my
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